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ECONOMIC INDICATORS

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High Tech Industry in Hawaii

Economic diversification for the State of Hawaii received a major boost with the announcement of Castle & Cooke's purchase of 20 percent of Intelect Inc., the leading high-tech firm in the state. In addition, Castle & Cooke announced a program of land-cost subsidies for firms locating in their proposed Mililani high-tech park, a venture-capital fund for new high-tech firms, and the hiring of a full-time salesperson to promote high-tech development in Hawaii. This represents a large commitment by a major Hawaiian corporation to high-tech development in Hawaii, and should lend credibility to its economic potential.

In fact, high-tech industries are not new to Hawaii. Currently roughly 142 businesses account for an estimated $200 million in annual revenues and more than 4,000 jobs, approximately 45 percent of it non-military. Firms range in size from one-man software-design companies to firms like the 120-employee Intelect Inc. manufacturing sophisticated air-traffic-control and air-defense systems. Within the past year alone 90 new corporations and partnerships were formed in high-tech related businesses, while 13 large mainland corporations have been identified by the state as considering locations in Hawaii.

The State of Hawaii is also committed to high-tech development through its support of the High Technology Development Corporation designed to promote the development of high-tech facilities by selecting appropriate sites for new businesses, and helping with construction and related costs by issuing special-purpose revenue bonds. The state also supported the formation of the Hawaii International Center for High Technology Research to stimulate high-technology development through research and development. The two organizations will fulfill the important functions of industrial promotion, research, and policy formation and implementation.

The neighbor islands, sensitive to the importance of diversification, because of their greater dependence on sugar and pineapple, have moved aggressively into the high-tech field. The Big Island has succeeded in securing commitments for the relocation of four Taiwanese high-tech firms, while Maui County, with the help of the Maui Economic Development Board is developing a high-tech research park to encourage high-tech firms to locate on Maui.

Clearly, businessmen, investors, and government leaders are proving that high-tech industries can survive and grow in Hawaii. The reasons relate to a number of demonstrated advantages including: (1) a highly productive and technically competent labor force; (2) wage and salary rates lower than many Mainland high-tech locations; (3) a strategic location with respect to transportation and communications between Asia, the United States, and the Pacific Region; (4) a high-quality educational and research support system in the University of Hawaii (at present, most engineering graduate students from the University of Hawaii go to the Mainland because of the lack of suitable employment in Hawaii); and (5) a desirable environment for people to live and work in.

Furthermore, while attention is generally focused on high technology in terms of the manufacture of high-density circuits and microprocessors, and the assembly of items utilizing these components, high-tech activities also include firms that supply inputs to these firms, as well as those that provide related services such as software and hardware marketing, and data-processing services. Considering that a majority of these firms are labor- and knowledge-intensive small businesses, the high-tech industry emerges as an economic factor of potentially major significance in Hawaii's efforts toward industrial diversification and alternative employment. In addition, Hawaii's leadership in marine science renewable energy, tropical bio-technology, and astronomy, suggests that not only can Hawaii compete within certain sectors of the world high-technology marketplace, but can in fact become a leader in certain areas.

Most of the obstacles to high-tech firms developing in Hawaii concern cost-related issues (in terms of time and money), and are political and institutional in nature—that means amenable to modification by committed political action. Such obstacles include: (1) overly complex and time-consuming permit procedures; (2) a shortage of suitably zoned land; (3) overly burdensome tax and employee-compensation policies; and (4) the lack of venture-capital resources in the state. Fortunately, a number of efforts are underway to ameliorate these difficulties including the State Tax Review Commission and the Governor's Committee on Doing Business in Hawaii. Implementation of their recommendations should improve the environment for business in general and high-tech companies in particular. Intergovernmental cooperation in resolving the dispute over land-use permits for the Mililani high-tech park is also important. Considering the enormous stakes involved, which include the creation of 27,400 jobs in the state, an additional $2.1 billion in output of goods and services, and $840 million in income to households over a 14-year period, maximum efforts should be extended to reach an agreeable compromise beneficial to the public interest in terms of jobs and economic activity.

High-tech industry is here. Whether it fulfills its potential as a meaningful response to the need for economic growth and diversification will depend heavily on the success with which the state can implement its stated commitments, and the support of an informed and concerned public. While it is true that Hawaii may not be a "silicone valley," the fact that the high-tech industry has come as far as it has should be clear indication of its potential as a resource in Hawaii's economic future.

FIRST HAWAIIAN BANK
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u. s. economic indicators

Series	Unit	Period	Number	Percent Change from preceding period	Percent Change year ago
GENERAL BUSINESS INDICATORS					
COMPOSITE INDEX OF LEADING INDICATORS*	1967 = 100	August	158.1p	−0.1	16.1
GROSS NATIONAL PRODUCT**					
In Current Dollars	bil. $	3rd Qtr	3,354.6p	2.5	8.5
In 1972 Dollars	bil. $	3rd Qtr.	1,551.2p	1.7	4.4
PERSONAL INCOME**	bil. $	August	2,755.2p	0.2	6.5
RETAIL SALES*	mil. $	August	97,602p	−1.4	9.6
BANKING AND CREDIT					
DEBITS TO DEMAND DEPOSITS**	bil. $	July	60,906.4	0.9	14.1
BANK LOANS*	bil. $	August	1,091.0p	0.9	6.1
AVERAGE PRIME RATE CHARGED BY BANKS	percent	Sept.	11.00	1.0	−18.5
CONSUMER INSTALLMENT DEBT*	mil. $	July	359,571	1.4	7.6
CONSTRUCTION					
CONSTRUCTION PUT IN PLACE**	bil. $	June	259.7p	2.6	11.3
CONSTRUCTION COST INDEXES					
Residences	1967 = 100	July	341.6	1.6[1]	5.3
Apts, Hotel, Office Bldgs	1967 = 100	July	350.1	2.7[1]	6.2
EMPLOYMENT					
CIVILIAN EMPLOYMENT*	thous.	August	101,563	0.3	1.9
UNEMPLOYMENT*	thous.	August	10,699	1.0	2.1
UNEMPLOYMENT RATE*	percent	August	9.5	0.0	4.0
PRICES					
CONSUMER PRICE INDEX (All Items)					
Urban Wage Earners and Clerical Workers (Revised)	1967 = 100	August	299.5	0.4	2.4
All Urban Consumers	1967 = 100	August	300.3	0.3	2.6
PRODUCER PRICE INDEXES					
Finished Goods*	1967 = 100	August	286.4p	0.4	1.4
All Commodities	1967 = 100	August	304.9p	0.6	1.6

r = revised.
p = preliminary.
[1] Compared to May, 1983.
**Seasonally adjusted.*
***Seasonally adjusted at annual rates.*

Sources:
General Business Indicators—U.S. Department of Commerce.
Banking and Credit—Board of Governors of the Federal Reserve System.
Construction—U.S. Department of Commerce. The American Appraisal Company.
Employment and Prices—U.S. Department of Labor, Bureau of Labor Statistics.

business activity in hawaii

TOURISM					
OVERNIGHT OR LONGER VISITORS	number	July	414,310p	−0.7	4.1
	number	Jan.-July	2,566,198p	.....	2.6
Westbound	number	July	335,147p	−0.6	6.4
	number	Jan.-July	2,019,473p	.....	4.2
Eastbound	number	July	73,163p	−6.0	−0.4
	number	Jan.-July	546,725p	.....	−2.7
AVERAGE DAILY VISITOR CENSUS[1]	number	May	83,225p	2.5	9.5
AVERAGE LENGTH OF STAY[1]	no. of days	May	9.9	0.0	0.0
MEETINGS ATTENDANCE	number	July	24,084	−32.1	386.5
ORGANIZED GROUP TOURS	number	July	72,257p	−13.2	21.2
NEIGHBOR ISLAND VISITORS[1]					
Maui	number	July	168,287p	4.6	11.5
	number	Jan.-July	1,006,664p	20.1	5.8
Hawaii	number	July	71,992p	−0.8	4.5
	number	Jan.-July	439,684p	19.6	6.8
Kauai	number	July	77,908p	3.6	−2.4
	number	Jan.-July	410,720p	23.4	−12.1
VISITOR ACCOMMODATIONS					
STATE	number	June	58,901	0.2	−0.8
Oahu	number	June	34,378	0.1	−1.1
Waikiki	number	June	30,132	0.1	−0.5
Maui (includes 11 on Lanai)	number	June	12,051	−0.6	2.8
Molokai	number	June	629	0.2	13.3
Hawaii	number	June	7,368	−1.4	3.7
Kauai	number	June	4,475	6.7	−14.1
HOTEL OCCUPANCY					
STATE	percent	August	75.29	2.7	1.7

p = preliminary.
[1] Estimated Westbound.

SUGAR AND PINEAPPLE: THE UNCERTAIN ROAD AHEAD

One of the most significant aspects of Hawaii's recent economic history is the long-term decline of sugar and pineapple as major export industries. Between 1940 and 1980 the total value of sales for sugar and pineapple as a percentage of Gross State Product dropped from 38 percent to 7 percent. Employment in sugar and pineapple also fell from roughly 40 percent of all jobs in the early 1940s to 3 percent in the early 1980s. Nevertheless, sugar and pineapple continue to exert a strong influence on Hawaii's economy, comprising 75 percent of the total value of agricultural production, and 72 percent of all agriculturally-related jobs in Hawaii in 1982. Sugar and pineapple also constitute a critical segment of the economies of the neighbor islands. Hawaii and Kauai continue to have 9 and 14 percent of their labor force in sugar alone, while Maui County has 9 percent of its labor force in pineapple and 6 percent in sugar. Moreover, both industries are in critical periods of transition, adjusting to world and domestic competition, and struggling to establish long-term economic viability. In this issue, both industries are examined in terms of recent trends and prospects for the future.

SUGAR

Sugar is currently in a critical stage of retrenchment after suffering record losses of $90 million in 1981. Increasing world and domestic competition, fluctuating world sugar surpluses and open-market prices, high domestic production costs, and shifting market demands to sugar substitutes has placed Hawaii's sugar industry in an historically unprecedented competitive position. 1982 saw a considerable improvement with industry losses reduced to $1.5 million. But, revenues will still need to improve considerably to re-establish the viability of sugar in Hawaii.

One major factor in the improvement in 1982 was the reduction in production costs. Labor unions accepted wage concessions, while equipment replacement and capital improvements were deferred. In all, methods to improve productivity combined to result in a cost reduction of approximately $30 million.

The other major factor was the improvement in the price of sugar. Late in 1981, Congress included a market stabilization price for sugar in the Agriculture and Food Act of 1981. However, because the world market price for sugar was so low, even the duties and import fees imposed under the law did not result in the price of domestic sugar approaching the stabilization price. Therefore, on May 11, 1982, the President, under statutory authority, imposed numerical quotas on imports of foreign sugar. This did result in the U.S. sugar price approaching the market stabilization target, leading to higher returns to producers in 1982. This did not occur, however, until after the sugar industry sustained one of the greatest losses in its history in 1981. These relationships are shown in Figure 1, where it can be seen that the drop in

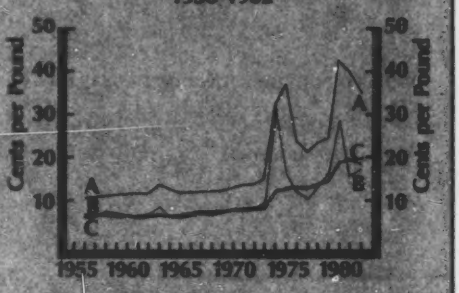
business activity in hawaii [cont.]

Series	Unit	Period	Number	Percent Change from preceding period	Percent Change year ago
HOTEL OCCUPANCY (continued)					
Oahu	percent	August	79.79	−1.6	−1.5
Maui	percent	August	83.12	13.1	7.1
Hawaii	percent	August	49.88	10.5	0.1
Kauai	percent	August	66.81	4.4	9.1
DEFENSE EXPENDITURES					
APPROPRIATED FUNDS TOTAL	mil. $	2nd Qtr.	471.4p*	−2.3	14.9
Military Payroll	mil. $	2nd Qtr.	187.6p*	1.6	10.2
Civilian Payroll	mil. $	2nd Qtr.	143.5p*	9.2	16.6
Local Purchases	mil. $	2nd Qtr.	140.3p*	−15.6	19.9
SUGAR					
SUGAR PRODUCTION	thous. tons	Jan.-Aug.	754	.....	26.1
N. Y. RAW SUGAR PRICE	$/ton	August	450.87	1.9	0.4
PINEAPPLE SHIPMENTS					
CANNED[2]	mil. $	Jan.-July	89.0	.....	−4.4
FRESH	thous. lbs.	Jan.-Sept.	184,099	.....	−8.9
DIVERSIFIED AGRICULTURE					
CROPS					
Flowers & Nursery Products					
(wholesale)	thous. $	1982	30,559	.....	3.7
Anthurium Outshipments	th. dozens	Jan.-Aug.	1,019.4	.....	−4.9
Potted Foliage[3]	thous. $	1982	8,820	.....	21.4
Other[4]	thous. $	1982	16,106	.....	−4.8
Fruits & Nuts	thous. $	1982	41,982	.....	0.0
Papaya Sales	th. lbs.	Jan.-Aug.	28,690	.....	−3.6
Average Farm Price	cents/lb.	August	22.0	12.8	−13.0
Macadamia Nut Sales (in shell)	th. lbs.	1982	36,720	.....	10.1
Average Farm Price	cents/lb.	1982	73.9	.....	−6.8
Other[5]	thous. $	1982	3,362	.....	8.4
Vegetable and Melon Production[6]	th. lbs.	Jan.-Aug.	46,822	.....	26.4
Other Crop Sales[7]	thous. $	1982	8,453	.....	−23.0
LIVESTOCK					
Beef Production (dressed wt.)	th. lbs.	Jan.-Aug.	21,347	.....	17.0
Average Farm Price (feedlot beef)	cents/lb.	August	97.0	−5.4	−8.9
Hog Production (dressed wt.)	th. lbs.	Jan.-Aug.	4,004	.....	0.8
Average Farm Price	cents/lb.	August	99.5	−2.0	−0.5
Milk Production	mil. lbs.	Jan.-Aug.	100.6	.....	2.8
Average Price Sold to Plants	$/100 lbs.	August	19.04p	2.6	−7.5
Egg Production	mil.	Jan.-Aug.	131.7	.....	−3.3
Average Farm Price	cents/doz.	August	83.0	−0.6	−5.1
Other Livestock Sales[8]	thous. $	1982	5,814	.....	−1.3
CONSTRUCTION					
CONSTRUCTION PUT IN PLACE	mil. $	Jan.-Aug.	807.4	.....	−1.6
PRIVATE PERMITS AUTHORIZED					
RESIDENTIAL					
STATE	thous. $	Jan.-Aug.	251,193	.....	20.0
C&C of Honolulu	thous. $	Jan.-Aug.	143,506	.....	26.5
Maui County	thous. $	Jan.-Aug.	27,685	.....	2.4
Hawaii County	thous. $	Jan.-Aug.	35,030	.....	−26.8
Kauai County	thous. $	Jan.-Aug.	44,972	.....	113.3
SINGLE FAMILY UNITS					
STATE	number	Jan.-Aug.	2,375	.....	69.0
C&C of Honolulu	number	Jan.-Aug.	1,240	.....	286.3
Maui County	number	Jan.-Aug.	381	.....	2.1
Hawaii County	number	Jan.-Aug.	577	.....	6.7
Kauai County	number	Jan.-Aug.	177	.....	4.1
MULTIPLE FAMILY UNITS					
STATE	number	Jan.-Aug.	1,272	.....	−33.5
C&C of Honolulu	number	Jan.-Aug.	1,188	.....	−19.6
Maui County	number	Jan.-Aug.	20	.....	−83.6
Hawaii County	number	Jan.-Aug.	51	.....	−73.9
Kauai County	number	Jan.-Aug.	13	.....	−89.0
NONRESIDENTIAL					
STATE	thous. $	Jan.-Aug.	156,056	.....	−20.3
C&C of Honolulu	thous. $	Jan.-Aug.	100,811	.....	−38.4
Maui County	thous. $	Jan.-Aug.	10,269	.....	0.5
Hawaii County	thous. $	Jan.-Aug.	21,814	.....	147.1
Kauai County	thous. $	Jan.-Aug.	23,163	.....	76.3
PUBLIC CONTRACTS AWARDED					
TOTAL GOVERNMENT PROJECTS	thous. $	Jan.-Sept.	210,557	.....	−29.6
BY LEVEL OF GOVERNMENT					

p = *preliminary.*
* *Coast Guard figures not included.*
[2] *Gross taxable income valued at time of shipment.*
[3] *Potted foliage grown for indoor or patio use.*
[4] *Includes cut flowers, cut orchids, lei flowers, cut foliage, other potted plants, unfinished flower and foliage stock, and other nursery products.*
[5] *Includes avocadoes, bananas, guavas, oranges, passion fruit, and tangerines.*
[6] *Includes snap beans, cabbage, celery, sweet corn, cucumbers, lettuce, onions, green peppers, tomatoes, and watermelons.*
[7] *Includes coffee, taro, feed and forage crops, and forest products.*
[8] *Includes broilers and chickens, turkeys, sheep, wool, horses, honey, and beeswax.*

the retail price of sugar after 1980 was responsible for the returns to Hawaii producers falling below the costs of production in 1981. The gradual improvement in returns to owners and reductions in production costs in 1982 are also shown.

FIGURE 1
U.S. AVERAGE ANNUAL RETAIL PRICE SUGAR, HAWAII AVERAGE COST OF PRODUCTION, AND RETURNS TO PRODUCERS: 1956-1982

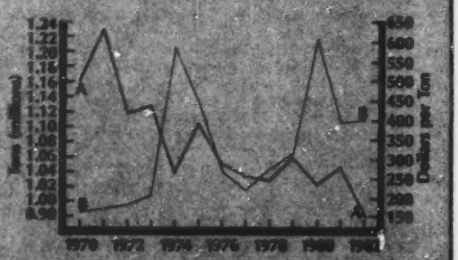


A. Retail Price of Sugar
B. Hawaii, Returns to Producers
C. Hawaii, Cost of Production

Source: Hawaii Sugar Planters Association

The importance of these improvements in production costs and prices is heightened when it is realized that, in fact, sugar production in 1982 dropped to 980,000 tons, which was a 21-year low point. The problem was mainly weather. Excessive rain early in the year slowed ripening of the crop, and muddy conditions delayed harvesting operations. Harvesting of some fields for 1982 was postponed until 1983. Major damage was also sustained by sugar mills and other structures causing further processing delays. Furthermore, looking at long-run sugar production and price trends as shown in Figure 2, production has in fact been going through a prolonged period of decline. Ironically, in 1980 when sugar profits were at an historical high due to a world sugar shortage, domestic production levels were at an historical low. Also, in 1981 when sugar sustained its greatest losses, production was 2.4 percent higher than in 1980.

FIGURE 2
TOTAL ANNUAL SUGAR PRODUCTION, AND AVERAGE ANNUAL NEW YORK RAW SUGAR PRICE: 1970-1982



A. Total Annual Sugar Production (left-hand scale)
B. Average Annual New York Raw Sugar Price (right-hand scale)

Source: Hawaii Sugar Planters Association

business activity in hawaii [cont.]

Series	Unit	Period	Number	Percent Change from preceding period	Percent Change year ago
PUBLIC CONTRACTS AWARDED (continued)					
FEDERAL	thous. $	Jan.-Sept.	35,323	.....	−66.5
STATE	thous. $	Jan.-Sept.	114,605	.....	−21.6
COUNTY	thous. $	Jan.-Sept.	60,629	.....	27.9
BY LOCATION OF PROJECT					
C&C of Honolulu	thous. $	Jan.-Sept.	164,128	.....	−25.5
Maui County	thous. $	Jan.-Sept.	25,523	.....	−28.7
Hawaii County	thous. $	Jan.-Sept.	15,259	.....	−20.9
Kauai County	thous. $	Jan.-Sept.	5,647	.....	−76.3
HONOLULU CONSTRUCTION COST INDEXES					
SINGLE FAMILY	1967 = 100	September	338.2	0.6	9.0
HIGH-RISE	1967 = 100	September	355.4	0.5	4.8
REAL ESTATE					
OAHU: New Sales					
Single Family	number	Jan.-Aug.	711	.....	51.9
Condominium	number	Jan.-Aug.	1,592	.....	136.9
Resales					
Single Family	number	Jan.-Aug.	1,151	.....	23.6
Average Price	dollars	Jan.-Aug.	182,616	.....	8.2
Condominium	number	Jan.-Aug.	1,567	.....	25.4
Average Price	dollars	Jan.-Aug.	103,212	.....	−0.2
MAUI: Resales					
Single Family	number	Jan.-Aug.	132	.....	73.7
Average Price	dollars	Jan.-Aug.	161,072	.....	29.1
Condominium	number	Jan.-Aug.	283	.....	91.2
Average Price	dollars	Jan.-Aug.	152,275	.....	−1.9
HAWAII: Resales					
Single Family	number	Jan.-Aug.	228	.....	30.3
Average Price	dollars	Jan.-Aug.	93,700	.....	−5.9
Condominium	number	Jan.-Aug.	66	.....	100.0
Average Price	dollars	Jan.-Aug.	110,940	.....	−4.4
KAUAI: Resales					
Single Family	number	Jan.-Aug.	37	.....	37.0
Average Price	dollars	Jan.-Aug.	119,983	.....	7.4
Condominium	number	Jan.-Aug.	16	.....	−23.8
Average Price	dollars	Jan.-Aug.	161,530	.....	−1.4
BUSINESS SALES					
GROSS BUSINESS RECEIPTS	mil. $	Jan.-July	12,780.4	.....	4.3
DIVERSIFIED MANUFACTURING	mil. $	Jan.-July	289.8	.....	−17.3
DIVERSIFIED AGRICULTURE	mil. $	Jan.-July	134.0	.....	23.9
RETAILING	mil. $	Jan.-July	4,585.9	.....	2.4
WHOLESALING	mil. $	Jan.-July	3,167.5	.....	7.2
SERVICES	mil. $	Jan.-July	2,897.5	.....	7.2
OAHU NEW CAR SALES	number	June	4,090	116.4	13.2
PUBLIC UTILITIES					
ELECTRICITY GENERATED	mil. kwh.	August	605.0	3.9	0.5
GAS SALES	th. therms.	August	3,865	−2.2	−0.6
TELEPHONE LINES IN SERVICE	thous.	August	451.3	0.1	27.5
HONOLULU PRICES					
HONOLULU CONSUMER PRICE INDEX					
Urban Wage Earners and Clerical Workers (Revised), All Items	1967 = 100	August	278.2	1.8[9]	3.2
All Urban Consumers, All Items	1967 = 100	August	273.5	0.8[9]	1.5

[9]*Compared to June, 1983.*

Sources:
Tourism—Hawaii Visitors Bureau. Pannell, Kerr, Forster.
Defense—Reports from various branches of the armed forces.
Sugar—Hawaiian Sugar Planters' Association.
Pineapple—Hawaii State Department of Taxation. Hawaii State Department of Agriculture.
Diversified Agriculture—Hawaii State Department of Agriculture.
Construction—Hawaii State Department of Taxation. Honolulu County Building Department. Hawaii, Kauai, and Maui County departments of public works.
Real Estate—Monitor Hawaii, Inc. Locations Inc., First Hawaiian Bank, Research Department.
Business Sales—Hawaii State Department of Taxation. Cardinal Mailing Services, Ltd.
Public Utilities—Hawaiian Electric Company, Inc. Citizens Utilities Company. Molokai Electric Co., Ltd. Gasco, Inc. Hawaiian Telephone Company.
Honolulu Prices—U.S. Department of Labor, Bureau of Labor Statistics.

Recent trends through the first eight months of 1983 appear optimistic. Production levels in August stood at 753,879 tons, which is 26 percent ahead of production in 1982. In the meantime, cumulative price averages through June of 1983 stood at 22.1 cents a pound, or 19 percent ahead of 1982. Thus, indications are that 1983 will see an improvement in returns to producers.

The long-run picture appears more ambiguous. According to Henry Walker of Amfac Inc., the sugar industry in Hawaii is shrinking, cutting back on the work force and eliminating high-cost plantation areas. The result in about a decade will be a stable but smaller industry, producing 700,000 to 800,000 tons a year compared with today's production of about a million tons a year. But, industrial stability at lower levels of output can only occur through: (1) further reductions in costs of production; (2) increasing productivity in terms of average tons of sugar per acre; or (3) increasing the price of sugar received in U.S. markets. The likelihood of receiving a price for sugar significantly higher than the costs of production is low given the continuing glut of world sugar, and increasing competition from domestically produced high fructose corn syrup. While research is continuing on various ways of improving productivity, including the use of robotics, the probability of qualitative transformations in the production process are also low. The only options that appear feasible are those already being pursued: reductions in marginal land, labor, and facilities to bring production costs down relative to prices; and continuing vigilance to insure long-term stability in the domestic price of sugar. Given the uncertain status of sugar with respect to the maintenance of current tariffs, quotas, and support prices, the continuing anti-protectionist sentiment of large industrial sugar users, and the uneasy relationship between labor and management because of the economic uncertainties ahead, the importance of mutual cooperation between labor, management, and government will be paramount in ensuring the continued long-term viability of sugar in Hawaii. It is clear, however, that sugar will be showing a much lower profile in the Hawaiian economy in the years to come. This will be especially important for the islands of Hawaii and Kauai where large segments of the labor force continue to be employed in sugar.

PINEAPPLE

Increasing world competition, oversupplies of pineapple, and high domestic production costs continue to extract a heavy price on Hawaii's pineapple industry. The

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population and personal income in hawaii

Series	Unit	Period	Number	Percent Change from preceding period	Percent Change year ago
POPULATION					
DE FACTO—STATE	thous.	July 1, 1982	1,084p	.....	1.9
TOTAL RESIDENT—STATE	thous.	July 1, 1982	994p	.....	1.5
C&C of Honolulu	thous.	July 1, 1982	775p	.....	1.0
Maui County	thous.	July 1, 1982	80p	.....	5.6
Hawaii County	thous.	July 1, 1982	98p	.....	2.3
Kauai County	thous.	July 1, 1982	41p	.....	2.2
CIVILIAN RESIDENT—STATE	thous.	July 1, 1982	939p	.....	1.8
MILITARY PERSONNEL—STATE	number	July 1, 1982	61,107	.....	−0.7
Ashore	number	July 1, 1982	54,184	.....	17.1
Afloat	number	July 1, 1982	6,923	.....	−54.7
CIVILIAN DEPENDENTS OF MILITARY	number	July 1, 1982	66,709	.....	3.7
FOREIGN IMMIGRATION[1]	number	12 mo. total for period ending 9/83	5,238	.....	−24.0
PERSONAL INCOME					
TOTAL PERSONAL INCOME**	mil. $	1st Qtr. 1983	11,967	2.2	6.5
Employment Income[2]	mil. $	1st Qtr. 1983	8,767	0.5	6.2
Manufacturing	mil. $	1st Qtr. 1983	442	−1.6	5.7
Construction & Mining[3]	mil. $	1st Qtr. 1983	482	−0.6	−1.0
Wholesale	mil. $	1st Qtr. 1983	379	1.1	4.7
Retail	mil. $	1st Qtr. 1983	994	1.5	5.1
Finance, Ins. & Real Estate	mil. $	1st Qtr. 1983	597	3.1	11.4
Trans., Comm., & Util.	mil. $	1st Qtr. 1983	783	−2.1	5.2
Services	mil. $	1st Qtr. 1983	1,922	1.0	7.7
Farm & Other	mil. $	1st Qtr. 1983	290	−4.6	7.4
Federal Civilian	mil. $	1st Qtr. 1983	785	1.3	7.7
Federal Military	mil. $	1st Qtr. 1983	1,024	−0.5	2.6
State & Local	mil. $	1st Qtr. 1983	1,067	2.0	8.8
Property Income (Dividends, Interest, Rent)	mil. $	1st Qtr. 1983	2,176	10.6	5.7
Transfer Payments (1,614) minus Personal Contributions For Social Ins. (591)	mil. $	1st Qtr. 1983	1,023	0.6	11.2
PER CAPITA PERSONAL INCOME					
STATE PER CAPITA	dollars	1982	11,602	.....	5.2
PER CAPITA BY COUNTY					
C&C of Honolulu	dollars	1981	11,553	.....	9.0
Maui County	dollars	1981	9,702	.....	7.2
Hawaii County	dollars	1981	8,728	.....	5.0
Kauai County	dollars	1981	9,132	.....	7.2

p = preliminary.

***Total personal income and all components are seasonally adjusted at annual rates.*

[1]These immigration statistics include only those entering Honolulu ports and do not include status changes.

[2]Includes wage and salary disbursements, proprietors' income, and other labor income.

[3]Income from mining not shown separately to avoid disclosure of confidential information.

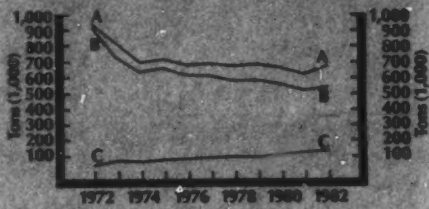
Sources:

Population—Hawaii State Department of Planning and Economic Development, U.S. Bureau of the Census, U.S. Immigration and Naturalization Service.

Personal Income—U.S. Department of Commerce, Bureau of Economic Analysis.

closing of pineapple operations on Molokai and the Del Monte cannery at Iwilei are but symptoms of a larger process of secular decline. In the ten years between 1972 and 1982, total acreage used for crop fell 38 percent from 58,000 to 36,000 acres. Also, as shown in Figure 3, total production fell 29 percent during the same period from 947,000 tons to 670,000 tons. Of this total, processed pineapple fell 40 percent, while fresh pineapple production increased 212 percent. As of 1982, however, fresh pineapple still comprised only 19 percent of total pineapple produced.

FIGURE 3
PROCESSED, FRESH, AND TOTAL PINEAPPLE PRODUCTION: 1972-1982

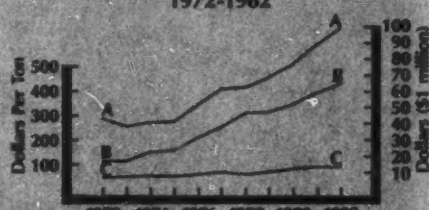


A. Total Pineapple Production
B. Processed Pineapple
C. Fresh Pineapple

Source: Hawaii Agricultural Reporting Service

However, prices remained strong between 1972 and 1982. As shown in Figure 4, wholesale prices for processed pineapple increased 90 percent, while prices for fresh pineapples increased 258 percent. This was sufficient to account for an all-time high farm value of production of $90.5 million in 1982 which represented a 127 percent increase over 1972. Because of the high price of fresh relative to processed pineapple, the wholesale value of fresh rose from 11 percent of the total in 1972 to 55 percent in 1982.

FIGURE 4
TOTAL FARM VALUE OF PRODUCTION, FARM PRICE FOR FRESH PINEAPPLE, AND FARM PRICE FOR PROCESSED PINEAPPLE: 1972-1982



A. Total Farm Value of Production (right-hand scale)
B. Farm Price for Fresh Pineapple (left-hand scale)
C. Farm Price for Processed Pineapple (left-hand scale)

HAWAIIAN BANK
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employment and unemployment in hawaii

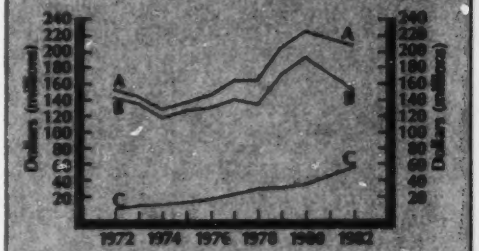
Series	Unit	Period	Number	Percent Change from preceding period	Percent Change year ago
EMPLOYMENT IN STATE AND COUNTIES (number of persons)					
STATE					
Civilian Labor Force	thous.	August	469.0p	−0.2	1.1
Employment	thous.	August	438.3p	0.4	1.3
Unemployment	thous.	August	30.7p	−7.5	−0.8
Unemployment Rate	percent	August	6.5p	−8.5	−3.0
C & C OF HONOLULU					
Civilian Labor Force	thous.	August	358.1p	−0.1	1.4
Employment	thous.	August	337.0p	0.3	1.6
Unemployment	thous.	August	21.1p	−6.0	−1.4
Unemployment Rate	percent	August	5.9p	−6.4	−3.3
MAUI COUNTY					
Civilian Labor Force	thous.	August	44.1p	−0.7	0.7
Employment	thous.	August	40.7p	0.0	0.3
Unemployment	thous.	August	3.4p	−8.4	4.7
Unemployment Rate	percent	August	7.7p	−8.3	4.0
HAWAII COUNTY					
Civilian Labor Force	thous.	August	45.5p	−0.8	0.1
Employment	thous.	August	41.0p	0.6	0.4
Unemployment	thous.	August	4.5p	−11.6	2.7
Unemployment Rate	percent	August	9.8p	−11.7	3.0
KAUAI COUNTY					
Civilian Labor Force	thous.	August	21.3p	1.2	0.6
Employment	thous.	August	19.7p	2.4	−0.9
Unemployment	thous.	August	1.6p	−11.8	3.0
Unemployment Rate	percent	August	7.7p	−13.5	2.7
JOB COUNT BY INDUSTRY					
TOTAL JOBS—STATE	thous.	August	444.3p	−0.4	−0.8
SUGAR (mill and field)	thous.	August	8.5p	−0.7	−1.2
PINEAPPLE (cannery and field)	thous.	August	7.5p	−0.5	−9.1
DIVERSIFIED MANUFACTURING (excluding sugar and pineapple)	thous.	August	15.4p	0.5	−3.0
Durable Goods	thous.	August	3.6p	−1.6	−10.5
Non-Durable Goods	thous.	August	12.1p	1.1	−0.6
Apparel and Textiles	thous.	August	2.6p	−1.9	−8.1
DIVERSIFIED AGRICULTURE (excluding sugar and pineapple, but including agricultural self-employed)	thous.	August	8.0p	−1.0	−3.1
CONTRACT CONSTRUCTION	thous.	August	16.6p	−0.5	−6.5
TRANSPORTATION	thous.	August	20.6p	−0.4	−6.4
COMMUNICATION	thous.	August	7.2p	−0.4	−2.7
UTILITIES	thous.	August	2.4p	0.1	−5.8
RETAIL TRADE	thous.	August	88.1p	−0.1	0.5
WHOLESALE TRADE	thous.	August	19.2p	−0.9	1.6
FINANCE, INSURANCE AND REAL ESTATE	thous.	August	31.8p	−0.1	0.0
HOTEL SERVICES—STATE	thous.	August	25.6p	−1.6	−2.3
Honolulu County	thous.	August	14.3p	−2.5	−2.5
Maui County	thous.	August	6.3p	0.2	0.7
Hawaii County	thous.	August	2.9p	−4.5	−5.4
Kauai County	thous.	August	2.1p	3.8	−5.3
OTHER SERVICES	thous.	August	74.2p	−0.8	−0.1
FEDERAL GOVERNMENT	thous.	August	32.1p	−0.6	0.4
Civilian Agencies	thous.	August	11.3p	0.1	−0.5
Defense Department	thous.	August	20.8p	−1.0	0.9
STATE GOVERNMENT	thous.	August	41.9p	−0.6	1.9
COUNTY GOVERNMENT	thous.	August	17.1p	1.4	3.7
UNEMPLOYMENT INSURANCE CLAIMS AND PAYMENTS					
INSURED UNEMPLOYMENT (weekly average)	number	August	16,794	12.8	18.3
INTRASTATE INITIAL CLAIMS	number	August	5,822	−1.5	−1.3
INTERSTATE INITIAL CLAIMS	number	August	386	34.0	−12.1
UNEMPLOYMENT INSURANCE BENEFITS	thous. $	August	7,207	15.3	7.3

p = *preliminary.*

Sources:
Employment, Job Count, and Unemployment Insurance—Hawaii State Department of Labor and Industrial Relations.

Retail prices for processed and fresh pineapple also remained strong between 1972 and 1981. Inspite of reductions in the production of canned fruit, canned juice, and frozen concentrate of 38, 15, and 66 percent respectively, average unit prices **increased** during that period by 81 percent. As shown in Figure 5, this resulted in an increase in retail revenues from processed pineapple of 8 percent between 1972 and 1982; not, however, until passing an historic high point of $192 million in 1980. Sales of fresh pineapple, on the other hand, exhibited a fairly constant rate of increase, growing from $4.9 million in 1972 to $55 million in 1982 for an overall increase of 1022 percent. As of 1982, the retail value of fresh pineapple stood at 27 percent of total retail value of sales.

FIGURE 5
TOTAL RETAIL VALUE OF PRODUCTION, TOTAL RETAIL VALUE OF PROCESSED PINEAPPLE, AND FRESH PINEAPPLE SALES: 1972-1982



A. Total Retail Value of Production
B. Total Retail Value of Processed Pineapple:
1. Canned Fruit
2. Canned Juice
3. Frozen Concentrate
C. Total Retail Value of Fresh Pineapple Sales
Source: Hawaii Agricultural Reporting Service.

Overall output is declining in 1983. As of the second quarter, sales of processed pineapple fell 12 percent from 1982. Fresh pineapple was also down by 9 percent. While some of this is attributable to cutbacks in canning operations, unseasonably heavy rains in the first quarter of 1982 took a heavy toll on the 1983 crop, delaying planting for three to four months, and damaging existing crops. Because pineapple is now grown on a 16 to 18 month cycle, plantings that would have been harvested through the second and third quarters of 1983 were postponed, leading to temporary production shortfalls. Prices, however, remained strong through the second quarter, moving in the 22 to 25 cents a pound range for fresh wholesale pineapple, representing a 4 to 17 percent increase over 1982. Thus, while production was running below 1982, returns to the industry will ultimately depend on the behavior of prices.

The historic pattern of output and price relationships for processed pineapple has been that of a sustained reduction in output accompanied by increased prices. This has resulted in a net increase in revenues to the industry over time. On the other hand, increases in the volume of fresh pineapple output have been moderate enough to capture increasingly larger market shares while not creating oversupplies and reductions in average price. The increase in the price of fresh

public assistance in hawaii

Series	Unit	Period	Number	Percent Change from preceding period	Percent Change year ago
PUBLIC ASSISTANCE					
RECIPIENTS[1]					
Income Maintenance	no./persons	July	63,845	−0.8	−1.9
Services	no./cases	2nd Qtr.	6,508	−3.3	−3.1
Medical	no./patients	August	50,572	1.1	7.9
Food Stamps	no./persons	July	100,057	−0.2	2.8
PAYMENTS					
Income Maintenance	thous. $	July	8,915	−0.5	−1.8
Services	thous. $	2nd Qtr.		5.9	8.7
Medical	thous. $	August	14,370	14.0	23.8
Food Stamps	thous. $	July	6,515	−0.3	14.9

[1]Count of recipients is duplicated. A person may be counted in each category.

Sources:
Public Assistance—Hawaii State Department of Social Services and Housing.

banking and finance in hawaii

FINANCE					
COMMERCIAL BANKS					
Total Deposits					
STATE	mil. $	August	5,598.9	−0.6	12.6
Honolulu County	mil. $	August	4,600.2	−1.6	11.7
Maui County	mil. $	August	357.0	2.2	13.8
Hawaii County	mil. $	August	424.2	5.3	17.4
Kauai County	mil. $	August	217.5	4.3	23.0
Debits to Demand Deposits					
STATE	mil. $	August	7,742.3	12.2	−0.8
Honolulu County	mil. $	August	7,120.9	12.4	−0.7
Maui County	mil. $	August	268.4	22.7	−2.0
Hawaii County	mil. $	August	241.8	6.6	−3.4
Kauai County	mil. $	August	111.2	−3.5	3.8
Loans Outstanding	mil. $	2nd Qtr.	3,685	2.6	3.7
Real estate	mil. $	2nd Qtr.	1,649	2.9	6.0
Consumer	mil. $	2nd Qtr.	796	0.5	−0.3
Commercial & Industrial	mil. $	2nd Qtr.	1,104	4.0	6.8
Other	mil. $	2nd Qtr.	137	0.8	−17.1
SAVINGS & LOAN ASSOCIATIONS					
Total Deposits	bil. $	July	3.48	−0.3	6.8
Loans	mil. $	August	27.7	−58.8	9.2
Residential	mil. $	August	12.0	−27.3	−16.8
Other	mil. $	August	15.7	−69.0	4.1
STATE TAX COLLECTIONS[1]					
TAX COLLECTIONS—STATE	thous. $	Jan.-Aug.	829,045	.....	12.2
Honolulu County	thous. $	Jan.-Aug.	726,362	.....	9.7
Maui County	thous. $	Jan.-Aug.	44,706	.....	36.9
Hawaii County	thous. $	Jan.-Aug.	41,960	.....	34.2
Kauai County	thous. $	Jan.-Aug.	16,016	.....	24.2

[1]Excludes property taxes which were formerly collected by the State but are now collected by the Counties.

Sources:
Finance—Hawaii State Department of Regulatory Agencies. Federal Deposit Insurance Corporation reports. Federal Home Loan Bank of Seattle.
State Tax Collections—Hawaii State Department of Taxation.

pineapple over the years is evidence of the success of the fresh pineapple marketing strategy.

Future prospects for pineapple will most likely entail further reductions in processed pineapple, and increased production of fresh pineapples. As opposed to sugar, the pineapple market is less controlled and highly competitive. One reason is that a significant share of overseas pineapple imported into the U.S. is grown by domestic producers. While allowing growers to subsidize more expensive domestic pineapple with cheaper foreign pineapple, this also rules out tariff and quota policies as a means of price stabilization. Also, pineapple is highly price elastic, subject to strong competition by other fruits, as well as dessert foods. This limits the degree of price variation that pineapple can sustain relative to other competitive foods.

For the present, important issues include the banning of EDB, and stimulating more government support on cost-related issues such as product promotion, taxes, minimum wages, and import quality controls. However, the basic problem remains that of Hawaii's higher cost of production. This means that domestic production will always be subsidized by domestically-owned foreign production, and therefore remain limited in scale. In the meantime, fresh pineapple is actually only competitive in west-coast markets due to transport costs and strong competition from Caribbean-based pineapple production, which supplies the gulf and east-coast areas. Thus, production and marketing constraints for both processed and fresh pineapple dictate that, while pineapple can and will remain in Hawaii, the industry will be considerably reduced in size and its capacity to contribute to employment and economic growth in Hawaii.

CONCLUSION

The fundamental condition dictating the future of sugar and pineapple in Hawaii is international and domestic competition. The entry of foreign producers into the market, international diffusion of technology, and increasing domestic product competition have resulted in reducing the relative market shares for Hawaiian sugar and pineapple and displacing what was once Hawaii's dominance in the sugar and pineapple industries. Thus, while sugar and pineapple will continue to remain in Hawaii to service those segments of the market in which they remain competitive, their overall presence in the Hawaiian economy will be substantially diminished over time. While it is important to protect those market areas in which Hawaiian production remains competitive, and thereby protect important jobs and economic activity, it is also important to recognize the fundamental shifts in markets resulting from the shifting geographic distribution of technology and labor. The future cannot only be an extension of the past. Losses in noncompetitive sectors must be offset by gains in other sectors. Future economic development for Hawaii needs to recognize these realities, and creatively seek other forms of comparative advantage while not trying to wind the clock backwards.

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REAL INTEREST RATES AND NATIONAL ECONOMIC RECOVERY

Adapted from Remarks Made by DR. PAUL A. SAMUELSON
at the Business Outlook Forum October 4, 1983

Inspite of encouraging news concerning the recovery of the U.S. economy, there is much discussion whether the recovery will be short-lived due to currently high real interest rates, and the prospect of their increase as the economy revives.

The **real** rate of interest is the market, or nominal rate of interest, minus the inflation rate. Current real rates are high by historical standards. Federal deficits of the kind now being experienced worsen the situation, not only because of their tendency to crowd out private investment expenditures, but because of their contribution to stronger aggregate demand due to business and personal tax cuts and increased defense expenditures.

Another factor is the low rate of savings in the U.S. economy. The phenomenal postwar economic recovery of West Germany and Japan were in fact fueled by deficit financing of magnitudes far surpassing that of the U.S. However, the critical difference was that their savings rates were much higher: 23 percent in Japan, and 18 percent in West Germany. The current rate of savings in the U.S. is 6 percent. Savings represent the resources available to finance the capital formation necessary to expand the productive base and future growth in output. Americans, perhaps because of their affluence, have a very low rate of private thriftiness.

Another factor is the strength of the American dollar. When the dollar is strong, exports and tourism suffer because the dollar is expensive relative to other foreign currencies. That also attracts foreign investment capital, which in turn bids up the price of the dollar further, increasing the real rate of interest even more.

One cause for this high real rate of interest is the fight against inflation. The strategy used by the Federal Reserve in its monetary policies of the early 1980s was to restrict monetary supply so that the real interest rate soared to an all-time high in 1980 and 1981. This was sufficient to choke off economic activity and squeeze out excess demand in the economy, thereby bringing the rate of inflation down. However, this did not occur without also achieving a 10.5 percent unemployment rate and an essentially stagnant economy.

It was in the third quarter of 1982 when, faced by historically unprecedented rates of unemployment, as well as impressive gains against inflation, that Federal Reserve monetary policy shifted from restraint to expansion. This allowed an increase in the monetary base, a drop in interest rates, and the start of the recovery that is now taking place. However, as economic recovery progressed and the demand for resources again increased, the inflation rate, again, began to move up. It was concern about the potential increase in inflation that led to a gradual slowing of monetary expansion in the second quarter of 1983 leading to a gradual upturn in interest rates, and a slowing in the rate of economic growth.

However, political conditions will also have an effect on interest rates and the pace of economic expansion including: (1) the upcoming 1984 elections; (2) the high degree of U.S. loan exposure to developing countries; and (3) the high national debt. Keeping real interest rates down would increase output, reduce unemployment, reduce the debt service burdens of both debtor countries and the Federal government, and appease political desires for an acceptable level of economic growth. However, increased demands to finance the economic expansion will run up against Federal government demands in the capital markets, thereby pushing up real interest rates and choking off growth, while inflation could again flare up due to the long-term effects of overly expansionary monetary policies and increased resource demands in the economy. In short, without fundamental recognition of the economic pressures generated by large Federal deficits, by the end of 1985 the economy could be once again moving into a classic case of stagflation: high price inflation in a situation of economic recession.

The lesson in all of this is that there is a distinct trade-off between the Scylla and Charybdis of economic growth and inflation on the one hand, and unemployment and price stability on the other. But, more fundamentally, this trade-off is worsened by pressures in the capital markets due to Federal budget deficits. Unless we as a nation are willing to be taxed more in order to finance the kind of expenditures that we have voted for such as social programs and military expenditures, the Federal government will continue to dip into the public till for the funds to do so. The result will be less resources for private investment and growth, and, coupled with the low rate of private savings in this country, the kind of tightness in capital markets that will not only push interest rates up by crowding out private capital demands, but create a volatile atmosphere where marginal changes in the real interest rate will be sufficient to precipitate large fluctuations in either inflation or unemployment, and subsequently less margin for stability in economic growth and prices.

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Small Business in Hawaii

Small businesses in Hawaii have been receiving a lot of attention recently. Considering the structure of business in Hawaii, that's no accident. Of the more than 21,000 business enterprises in the state, 98 percent have fewer than 100 employees, while more than 50 percent employ fewer than 5 persons. In essence, Hawaii *is* a small business state, and anything that affects small business in particular affects the state economy in general.

That conditions for small business have not been that good in Hawaii became evident at the third annual Statewide Small Business Conference and at meetings of the U.S. House Committee on Small Businesses. For example, Hawaii has the highest average workers' compensation rates in the nation according to a study by Alexander Grant and Co., Hawaii businesses pay the third highest unemployment compensation rates in the country, and the pyramiding effect of the State General Excise Tax serves as a disincentive to business activity.

While many of these issues are being examined separately through our Legislature and the Tax Review Commission, one area deserving more attention is the lack of available capital for small business. Only one venture-capital firm, Pacific Venture Capital, Ltd., is currently in operation in Hawaii, and it made $0.9 million in direct loans in 1982. State programs produced 30 loans in 1982 in which state participation of $1.7 million was used to leverage $2.7 million in loans through participation with the Small Business Administration (SBA) and private banks. SBA activity amounted to $0.3 million in direct loans, and $10.1 million in guarantees on loans made by private banks. In total, 135 loans worth $14 million were made to small businesses, out of which 72 percent originated in private banks.

In comparison, loans available to farmers through the Department of Agriculture numbered 507 for a total of $8.0 million in 1982, while loans from the Federal Land Bank Association of Hawaii, the Hawaii Production Credit Association, and the Farmers Home Administration numbered 584 for a total of $86.4 million in 1982. Thus, farmers received 8 times more loans and 7 times more money than nonfarmers in 1982.

According to the National Association of State Development Agencies, state governments provided $20.7 billion in total support for economic development in 1981. Of that total, industrial-revenue bonds accounted for $19.3 billion or 93 percent of total state support. Forty-seven states have active industrial-revenue-bond programs averaging $411 million per state. Hawaii has had no issues of industrial-revenue bonds (except for hospital and pollution-abatement issues), notwithstanding the existence of enabling legislation since 1981.

State governments are becoming more involved in designing capital-formation mechanisms for small businesses. Examples include direct-grant programs, loan programs, interest-subsidy and loan-guaranty programs, industrial-revenue-bond programs, state-funded or -chartered equity/venture-capital corporations, development-credit corporations, product-development corporations, enterprise zones, and tax-incentive programs. The development tool used most extensively is the industrial-revenue bond. The reason for their popularity is that they are financed through the private sector, repaid through the revenues of the borrowing industries, and do not require any debt-service obligation of the issuing agency. The bonds also provide tax-free income to investors, and are sold at below-market interest rates, thereby providing an interest subsidy to the borrower.

The State of Hawaii does currently provide a number of fiscal and tax incentives for businesses, including loan and industrial-revenue-bond programs, and various income-, property-, and excise-tax exemptions. Counties can also authorize industrial-revenue bonds, although a two-thirds approval of the state legislature is required for each individual issue.

Suggestions have been made to expand the availability of capital to small businesses. To that effect, expansion of existing loan programs, as well as the wider use of industrial-revenue bonds could be considered. Also, much could be gained by coordinating and expediting the bond issuing process, including greater county participation in bond approvals, expansion of activities eligible for funding, and reexamination of the two-thirds legislative majority requirement, which tends to expose the bond-approval process to regional interests. Separating industrial-revenue bond issues from general-obligation bond issues and placing them under a separate authority could also place greater emphasis on the commitment to small-business development.

Some states have achieved great success by concentrating fiscal and tax-incentive policy planning, coordination, and implementation within a separate body committed solely to that purpose. This facilitates access to and utilization of the more innovative industrial-financing mechanisms available to public institutions. Many states use an industrial-finance authority. The authority basically serves as a vehicle for leveraging private and public capital to support economic development policies, as well as coordinating existing programs in the various counties and state departments. What they do in fact is place all development finance programs under one coordinative agency responsible for an integrated and cohesive program of economic development support.

Programs to expand capital availability and institutions designed to organize financial-support programs would confer credibility to the commitment to support small businesses. Considering the importance of small businesses to Hawaii's economy, the benefits of such programs to the general economic development of the state should be apparent.

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u. s. economic indicators

Series	Unit	Period	Number	Percent Change from preceding period	Percent Change year ago
GENERAL BUSINESS INDICATORS					
COMPOSITE INDEX OF LEADING INDICATORS*	1967 = 100	October	161.8p	0.8	16.7
GROSS NATIONAL PRODUCT**					
In Current Dollars	bil. $	3rd Qtr	3,360.3p	2.7	8.7
In 1972 Dollars	bil. $	3rd Qtr.	1,553.6p	1.9	4.6
PERSONAL INCOME**	bil. $	October	2,818.9p	11.8	7.7
RETAIL SALES*	mil. $	October	100,175p	10.7	10.2
BANKING AND CREDIT					
DEBITS TO DEMAND DEPOSITS**	bil. $	September	63,796.9	1.0	12.9
BANK LOANS*	bil. $	October	1,104.2p	7.2	6.4
AVERAGE PRIME RATE CHARGED BY BANKS	percent	October	11.0	0.0	−12.1
CONSUMER INSTALLMENT DEBT*	mil. $	September	365,334	6.5	9.0
CONSTRUCTION					
CONSTRUCTION PUT IN PLACE**	bil. $	September	272.7	−0.8	18.2
CONSTRUCTION COST INDEXES					
Residences	1967 = 100	September	343.2	0.5[1]	4.9
Apts. Hotel, Office Bldgs	1967 = 100	September	352.7	0.7[1]	6.3
EMPLOYMENT					
CIVILIAN EMPLOYMENT*	thous.	October	111,815	−0.1	1.0
UNEMPLOYMENT*	thous.	October	9,886	−5.2	−14.6
UNEMPLOYMENT RATE*	percent	October	8.8	−5.4	−16.2
PRICES					
CONSUMER PRICE INDEX (All Items)					
Urban Wage Earners and Clerical Workers (Revised)	1967 = 100	October	301.3	0.2	2.6
All Urban Consumers	1967 = 100	October	302.6	0.3	2.9
PRODUCER PRICE INDEXES					
Finished Goods*	1967 = 100	October	287.8	0.3	1.4
All Commodities	1967 = 100	October	306.3	0.3	2.2

r = revised. **Seasonally adjusted.*
p = preliminary. ***Seasonally adjusted at annual rates.*
[1] *Compared to July, 1983.*

Sources:
General Business Indicators—U.S. Department of Commerce.
Banking and Credit—Board of Governors of the Federal Reserve System.
Construction—U.S. Department of Commerce. The American Appraisal Company.
Employment and Prices—U.S. Department of Labor, Bureau of Labor Statistics.

business activity in hawaii

TOURISM					
OVERNIGHT OR LONGER VISITORS	number	September	315,462p	−24.2	0.3
	number	Jan.-Sept.	3,298,589p	.....	2.6
Westbound	number	September	234,086p	−30.0	0.1
	number	Jan.-Sept.	2,587,425p	.....	3.9
Eastbound	number	September	81,376p	−1.0	1.1
	number	Jan.-Sept.	711,164p	.....	−1.8
AVERAGE DAILY VISITOR CENSUS[1]	number	May	83,225p	2.5	9.5
AVERAGE LENGTH OF STAY[1]	no. of days	May	9.9	0.0	0.0
MEETINGS ATTENDANCE	number	September	16,463	105.2	16.5
ORGANIZED GROUP TOURS	number	September	52,926p	−14.2	8.1
NEIGHBOR ISLAND VISITORS[1]					
Maui	number	September	121,917p	−25.3	9.7
	number	Jan.-Sept.	1,291,551p	.....	6.9
Hawaii	number	September	52,850p	−17.5	5.3
	number	Jan.-Sept.	556,537p	.....	6.6
Kauai	number	September	59,487p	−14.8	3.5
	number	Jan.-Sept.	539,897p	.....	−9.5
VISITOR ACCOMMODATIONS					
STATE	number	June	58,901	0.2	−0.8
Oahu	number	June	34,378	0.1	−1.1
Waikiki	number	June	30,132	0.1	−0.5
Maui (includes 11 on Lanai)	number	June	12,051	−0.6	2.8
Molokai	number	June	629	0.2	13.3
Hawaii	number	June	7,368	−1.4	3.7
Kauai	number	June	4,475	6.7	−14.1
HOTEL OCCUPANCY					
STATE	percent	October	65.69	−0.6	−2.6

p = preliminary.
[1] *Estimated Westbound.*

CURRENT BUSINESS TRENDS

October data indicate a continuing modest recovery in the economy, with broad-based improvements in most major indicators over the previous year. Interest-rate-sensitive sectors, including autos and real estate, were among the economic front-runners. September's new car sales were 37 percent ahead of 1982, while the sale of new condominiums for January through October was up 145 percent over the previous year. New single-family home sales increased by 54 percent for the same period. Resales of both single-family and multiple-family residences also experienced growth during the January-October period of 13 percent and 16 percent, respectively. Simultaneously, private-permit authorizations advanced for single-family units, leading 1982 by 59 percent. Multiple-unit and nonresidential construction, however, still lagged by 24 and 18 percent from 1982 in part due to current oversupplies of condominiums, offices, and hotel units.

Economic gains were also reflected in most of the labor force data for October. Both over-the-month and over-the-year improvements were evidenced in terms of increased employment, decreased unemployment, and decreased unemployment insurance activity. This encouraging pattern was seen in all counties except Kauai. Job counts also showed positive signs. While still slightly behind 1982, deficits for most job categories diminished from the previous month.

Inflation, income, and tax data also showed encouraging signs. An extremely low Consumer Price Index indicated that inflation has slowed considerably, while moderate increases in total personal income, gross business receipts, and state tax collections indicated further expansion in economic activity. Retail activity during the holiday season should give the economy an added boost, as retailers expect a roughly 10-percent increase in retail sales over last year.

TOURISM

September is usually one of the slower months for Hawaii's visitor industry, reflecting the post-summer doldrums as students and families prepare for the return to school. This September was no exception. Total visitors to the state, staying overnight or longer, fell by 24.2 percent from 416,398 in August to 315,462 in September. The same pattern was reflected in the Neighbor Islands.

However, on a year-to-year basis, the trends indicate growth in the visitor sector. Cumulative visitor totals for January through September of 1983 showed a 2.6 percent increase over the same period in 1982. Considering the intensity of current winter conditions across the country, the prospects look good for a busy winter tourist season in Hawaii. Visitor accommodations will also see a major expansion with the reopening of the Halekulani and the Turtle Bay Hilton (formerly the Kuilima) after extensive renovations.

Tourist trends on Kauai are of particular interest. Last November, after the devastation of Hurricane Iwa, visitors were further discouraged by intensified media coverage.

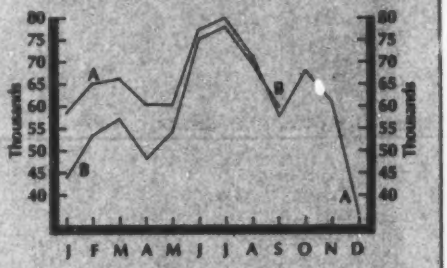
business activity in hawaii [cont.]

Series	Unit	Period	Number	Percent Change from preceding period	Percent Change year ago
HOTEL OCCUPANCY (continued)					
Oahu	percent	October	65.90	−8.3	−11.6
Maui	percent	October	77.31	12.6	9.5
Hawaii	percent	October	50.98	25.2	12.1
Kauai	percent	October	61.11	−2.2	17.7
DEFENSE EXPENDITURES					
APPROPRIATED FUNDS TOTAL	mil. $	3rd Qtr.	475.7*	0.9	7.4
Military Payroll	mil. $	3rd Qtr.	207.6*	10.7	15.2
Civilian Payroll	mil. $	3rd Qtr.	143.0*	−0.3	6.1
Local Purchases	mil. $	3rd Qtr.	125.0*	−10.9	−2.2
SUGAR					
SUGAR PRODUCTION	thous. tons	Jan.-Oct.	956	10.8	11.1
N. Y. RAW SUGAR PRICE	$/ton	October	439.12	−1.2	7.3
PINEAPPLE SHIPMENTS					
CANNED[2]	mil. $	Jan.-Sept.	123.9	.....	−15.2
FRESH	thous. lbs.	Jan.-Nov.	222,156	.....	−5.4
DIVERSIFIED AGRICULTURE					
CROPS					
Flowers & Nursery Products (wholesale)	thous. $	1982	30,559	.....	3.7
Anthurium Outshipments	th. dozens	Jan.-Oct.	1,373.8	.....	−2.6
Potted Foliage[3]	thous. $	1982	8,820	.....	21.4
Other[4]	thous. $	1982	16,106	.....	−4.8
Fruits & Nuts	thous. $	1982	41,982	.....	0.0
Papaya Sales	th. lbs.	Jan.-Oct.	34,690	.....	−6.4
Average Farm Price	cents/lb.	October	31.0	−11.4	52.0
Macadamia Nut Sales (in shell)	th. lbs.	1982	36,720	.....	10.1
Average Farm Price	cents/lb.	1982	73.9	.....	−6.8
Other[5]	thous. $	1982	3,362	.....	8.4
Vegetable and Melon Production[6]	th. lbs.	Jan.-Oct.	57,078	.....	22.0
Other Crop Sales[7]	thous. $	1982	8,453	.....	−23.0
LIVESTOCK					
Beef Production (dressed wt.)	th. lbs.	Jan.-Oct.	26,328	.....	12.3
Average Farm Price (feedlot beef)	cents/lb.	October	93.5	0.0	−4.1
Hog Production (dressed wt.)	th. lbs.	Jan.-Oct.	4,998	.....	2.6
Average Farm Price	cents/lb.	October	102.5	1.5	0.5
Milk Production	mil. lbs.	Jan.-Oct.	124.4	.....	2.7
Average Price Sold to Plants	$/100 lbs.	October	20.88	0.9	0.6
Egg Production	mil.	Jan.-Oct.	165.1	.....	−2.4
Average Farm Price	cents/doz.	October	83.5	0.0	−1.2
Other Livestock Sales[8]	thous. $	1982	5,814	.....	−1.3
CONSTRUCTION					
CONSTRUCTION PUT IN PLACE	mil. $	Jan.-Sept.	1,020.2	.....	1.5
PRIVATE PERMITS AUTHORIZED					
RESIDENTIAL					
STATE	thous. $	Jan.-Oct.	333,291	.....	25.8
C&C of Honolulu	thous. $	Jan.-Oct.	189,240	.....	23.2
Maui County	thous. $	Jan.-Oct.	33,755	.....	4.7
Hawaii County	thous. $	Jan.-Oct.	44,328	.....	−18.6
Kauai County	thous. $	Jan.-Oct.	65,968	.....	167.4
SINGLE FAMILY UNITS					
STATE	number	Jan.-Oct.	2,864	.....	58.9
C&C of Honolulu	number	Jan.-Oct.	1,438	.....	204.7
Maui County	number	Jan.-Oct.	467	.....	1.3
Hawaii County	number	Jan.-Oct.	730	.....	9.8
Kauai County	number	Jan.-Oct.	229	.....	10.9
MULTIPLE FAMILY UNITS					
STATE	number	Jan.-Oct.	1,941	.....	−24.4
C&C of Honolulu	number	Jan.-Oct.	1,766	.....	−15.5
Maui County	number	Jan.-Oct.	24	.....	−80.3
Hawaii County	number	Jan.-Oct.	74	.....	−68.5
Kauai County	number	Jan.-Oct.	77	.....	−34.7
NONRESIDENTIAL					
STATE	thous. $	Jan.-Oct.	234,549	.....	−17.7
C&C of Honolulu	thous. $	Jan.-Oct.	132,424	.....	−35.2
Maui County	thous. $	Jan.-Oct.	48,698	.....	−9.6
Hawaii County	thous. $	Jan.-Oct.	27,003	.....	138.4
Kauai County	thous. $	Jan.-Oct.	26,425	.....	72.5
PUBLIC CONTRACTS AWARDED					
TOTAL GOVERNMENT PROJECTS	thous. $	Jan.-Nov.	238,576	.....	−33.7
BY LEVEL OF GOVERNMENT					

p = preliminary.
**Coast Guard figures not included.*
[2]Gross taxable income valued at time of shipment.
[3]Potted foliage grown for indoor or patio use.
[4]Includes cut flowers, cut orchids, lei flowers, cut foliage, other potted plants, unfinished flower and foliage stock, and other nursery products.
[5]Includes avocadoes, bananas, guavas, oranges, passion fruit, and tangerines.
[6]Includes snap beans, cabbage, celery, sweet corn, cucumbers, lettuce, onions, green peppers, tomatoes, and watermelons.
[7]Includes coffee, taro, feed and forage crops, and forest products.
[8]Includes broilers and chickens, turkeys, sheep, wool, horses, honey, and beeswax.

September represented the first time this year that tourist counts were above those of the previous year (see Figure 1). Aggressive promotion and marketing campaigns by the visitor industry, the county and the state have gradually paid off, bringing tourists back to Kauai.

FIGURE 1
KAUAI VISITOR COUNT
1982 AND 1983



A. Total Visitors by Month—1982
B. Total Visitors by Month—1983

NEW CAR SALES

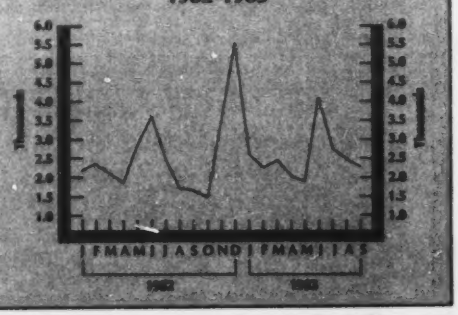
Having put off buying "big ticket" items during the past year, consumers are now slowly venturing back into the marketplace, particularly in the area of new car sales. Current data on new car registration from Cardinal Mailing Services suggests that consumers are not only browsing but an increased number are also buying.

After a sluggish first two quarters, the market picked up in the third quarter. Sales for the July-September 1983 period showed a 28 percent increase over the same period in 1982: 7,542 sales in 1983's third quarter compared to 5,901 in 1982.

General improvements in the economy such as increased personal income, and easing of credit were major contributing factors to the upturn in sales. People also appear to be adjusting to "sticker shock," and have learned to accept the higher price of cars.

The trend should be sustained in the fourth quarter as the economic recovery continues. Strengthening of the tourist industry should also contribute because sales to car-rental agencies constitute a substantial portion of the market. Although relatively slow in the first half of the year, the car-rental market is expected to improve during the winter quarter, as tourist demand increases (see Figure 2).

FIGURE 2
OAHU NEW CAR SALES
1982-1983



business activity in hawaii [cont.]

Series	Unit	Period	Number	Percent Change from preceding period	Percent Change year ago
PUBLIC CONTRACTS AWARDED (continued)					
FEDERAL	thous. $	Jan.-Nov.	54,133	.....	−54.6
STATE	thous. $	Jan.-Nov.	121,079	.....	−26.9
COUNTY	thous. $	Jan.-Nov.	63,365	.....	−4.7
BY LOCATION OF PROJECT					
C&C of Honolulu	thous. $	Jan.-Nov.	184,477	.....	−31.5
Maui County	thous. $	Jan.-Nov.	28,515	.....	−33.4
Hawaii County	thous. $	Jan.-Nov.	19,042	.....	−16.3
Kauai County	thous. $	Jan.-Nov.	6,542	.....	−73.8
HONOLULU CONSTRUCTION COST INDEXES					
SINGLE FAMILY	1967 = 100	November	339.4	2.4	8.9
HIGH-RISE	1967 = 100	November	358.7	0.4	5.2
REAL ESTATE					
OAHU: New Sales					
Single Family	number	Jan.-Oct.	896	.....	54.2
Condominium	number	Jan.-Oct.	1,933	.....	144.7
Resales					
Single Family	number	Jan.-Oct.	1,385	.....	13.2
Average Price	dollars	Jan.-Oct.	182,157	.....	7.2
Condominium	number	Jan.-Oct.	1,866	.....	15.8
Average Price	dollars	Jan.-Oct.	103,618	.....	−0.9
MAUI: Resales					
Single Family	number	Jan.-Oct.	161	.....	94.0
Average Price	dollars	Jan.-Oct.	158,469	.....	27.6
Condominium	number	Jan.-Oct.	336	.....	106.1
Average Price	dollars	Jan.-Oct.	150,366	.....	−0.6
HAWAII: Resales					
Single Family	number	Jan.-Oct.	280	.....	25.6
Average Price	dollars	Jan.-Oct.	90,080	.....	−9.9
Condominium	number	Jan.-Oct.	77	.....	97.4
Average Price	dollars	Jan.-Oct.	110,202	.....	−4.7
KAUAI: Resales					
Single Family	number	Jan.-Oct.	46	.....	39.4
Average Price	dollars	Jan.-Oct.	123,987	.....	10.2
Condominium	number	Jan.-Oct.	22	.....	8.3
Average Price	dollars	Jan.-Oct.	145,408	.....	9.0
BUSINESS SALES					
GROSS BUSINESS RECEIPTS	mil. $	Jan.-Sept.	16,265.8	.....	4.3
DIVERSIFIED MANUFACTURING	mil. $	Jan.-Sept.	378.1	.....	−11.4
DIVERSIFIED AGRICULTURE	mil. $	Jan.-Sept.	167.4	.....	24.3
RETAILING	mil. $	Jan.-Sept.	5,842.8	.....	3.6
WHOLESALING	mil. $	Jan.-Sept.	4,001.6	.....	3.5
SERVICES	mil. $	Jan.-Sept.	3,682.4	.....	7.5
OAHU NEW CAR SALES	number	September	2,299	−7.2	36.8
PUBLIC UTILITIES					
ELECTRICITY GENERATED	mil. kwh.	October	588.6	1.0	0.5
GAS SALES	th. therms.	October	3,821	0.4	0.2
TELEPHONE LINES IN SERVICE	thous.	October	455.3	0.4	2.7
HONOLULU PRICES					
HONOLULU CONSUMER PRICE INDEX					
Urban Wage Earners and Clerical Workers (Revised): All items	1967 = 100	October	285.9	2.8[9]	4.1
All Urban Consumers: All Items	1967 = 100	October	276.4	1.1[9]	0.4

[9]*Compared to August, 1983.*

Sources:

Tourism—Hawaii Visitors Bureau. Pannell, Kerr, Forster.

Defense—Reports from various branches of the armed forces.

Sugar—Hawaiian Sugar Planters' Association.

Pineapple—Hawaii State Department of Taxation. Hawaii State Department of Agriculture.

Diversified Agriculture—Hawaii State Department of Agriculture.

Construction—Hawaii State Department of Taxation. Honolulu County Building Department. Hawaii, Kauai, and Maui County departments of public works.

Real Estate—Monitor Hawaii, Inc. Locations Inc., First Hawaiian Bank, Research Department.

Business Sales—Hawaii State Department of Taxation. Cardinal Mailing Services, Ltd.

Public Utilities—Hawaiian Electric Company, Inc. Citizens Utilities Company. Molokai Electric Co., Ltd. Gasco, Inc. Hawaiian Telephone Company.

Honolulu Prices—U.S. Department of Labor, Bureau of Labor Statistics.

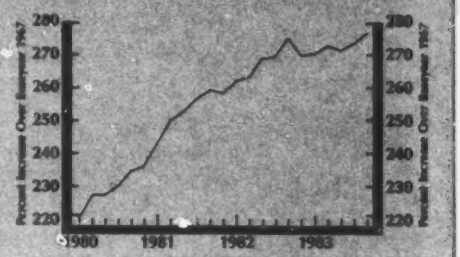
As can be seen in Figure 2, car sales in Hawaii follow a strong cyclical pattern with high peaks in the summer and winter months. These peaks coincide with increased fleet demands by car rental and leasing agencies, in response to summer and winter increases in the visitor market. This tends to underscore the underlying significance of tourist demand in many major retail sectors, as well as the expectation that sales activity in November and December should see a sizeable increase due to seasonal fleet demand increases.

CONSUMER PRICE INDEX

Statistics from the Bureau of Labor Statistics indicate that inflation has slowed to a crawl, providing a distinct bright spot in the national and local economic pictures.

Nationally, October's consumer price index (CPI) showed a minimal monthly gain. The index for all urban consumers (CPI-U) increased by 0.3 percent between September and October of 1983, resulting in a modest 2.9 percent growth over the year. The CPI for urban wage earners and clerical workers (CPI-W) showed an even more favorable trend with a 2.6 percent over-the-year gain.

FIGURE 3
HONOLULU CONSUMER PRICE INDEX
ALL URBAN CONSUMERS
1980-1983



The local data also showed favorable overall trends (see Figure 3). After showing steep increases in 1980 and 1981, the CPI for all urban consumers (CPI-U) leveled off sharply in mid-1982. The monthly gain during September and October was 1.1 percent for all urban consumers, which, although the largest increase for the year, showed an historically low 0.4 percent increase when compared to October of 1982. The CPI for urban wage earners and clerical workers (CPI-W) edged up 2.8 percent since August 1983, and 4.1 percent over the year. It should be noted, however, that a portion of the slowed CPI-U increase may be due to revisions in the calculating procedures. In January, the Bureau

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population and personal income in hawaii

Series	Unit	Period	Number	Percent Change from preceding period	Percent Change year ago
POPULATION					
DE FACTO—STATE	thous.	July 1, 1982	1,084p	.....	1.9
TOTAL RESIDENT—STATE	thous.	July 1, 1982	994p	.....	1.5
C&C of Honolulu	thous.	July 1, 1982	775p	.....	1.0
Maui County	thous.	July 1, 1982	80p	.....	5.6
Hawaii County	thous.	July 1, 1982	98p	.....	2.3
Kauai County	thous.	July 1, 1982	41p	.....	2.2
CIVILIAN RESIDENT—STATE	thous.	July 1, 1982	939p	.....	1.8
MILITARY PERSONNEL—STATE	number	July 1, 1982	61,107	.....	−0.7
Ashore	number	July 1, 1982	54,184	.....	17.1
Afloat	number	July 1, 1982	6,923	.....	−54.7
CIVILIAN DEPENDENTS OF MILITARY	number	July 1, 1982	66,709	.....	3.7
FOREIGN IMMIGRATION[1]	number	12 mo. total for period ending 11/83	5,372	.....	−19.5
PERSONAL INCOME					
TOTAL PERSONAL INCOME**	mil. $	2nd Qtr. 1983	12,250	1.8	6.4
Employment Income[2]	mil. $	2nd Qtr. 1983	9,070	2.2	7.5
Manufacturing	mil. $	2nd Qtr. 1983	429	−2.1	0.9
Construction & Mining[3]	mil. $	2nd Qtr. 1983	511	2.6	4.1
Wholesale	mil. $	2nd Qtr. 1983	396	3.1	8.5
Retail	mil. $	2nd Qtr. 1983	1,042	3.4	8.2
Finance, Ins. & Real Estate	mil. $	2nd Qtr. 1983	633	7.1	16.2
Trans., Comm., & Util.	mil. $	2nd Qtr. 1983	804	0.5	1.3
Services	mil. $	2nd Qtr. 1983	1,907	3.6	8.3
Farm & Other	mil. $	2nd Qtr. 1983	311	1.6	11.5
Federal Civilian	mil. $	2nd Qtr. 1983	862	2.1	10.9
Federal Military	mil. $	2nd Qtr. 1983	1,085	−0.3	3.8
State & Local	mil. $	2nd Qtr. 1983	1,091	1.4	9.8
Property Income (Dividends, Interest, Rent)	mil. $	2nd Qtr. 1983	2,118	0.2	−0.7
Transfer Payments (1,636) minus Personal Contributions For Social Ins. (574)	mil. $	2nd Qtr. 1983	1,062	1.9	12.5
PER CAPITA PERSONAL INCOME					
STATE PER CAPITA	dollars	1982	11,602	.....	5.2
PER CAPITA BY COUNTY					
C&C of Honolulu	dollars	1981	11,553	.....	9.0
Maui County	dollars	1981	9,702	.....	7.2
Hawaii County	dollars	1981	8,728	.....	5.0
Kauai County	dollars	1981	9,132	.....	7.2

p = preliminary.

***Total personal income and all components are seasonally adjusted at annual rates.*

[1]These immigration statistics include only those entering Honolulu ports and do not include status changes.

[2]Includes wage and salary disbursements, proprietors' income, and other labor income.

[3]Income from mining not shown separately to avoid disclosure of confidential information.

Sources:

Population—Hawaii State Department of Planning and Economic Development. U.S. Bureau of the Census. U.S. Immigration and Naturalization Service.

Personal Income—U.S. Department of Commerce, Bureau of Economic Analysis.

of Labor Statistics revamped the methodology for calculating housing costs for the CPI-U (the CPI-W continued to use the old homeownership method). Since last October the housing component of the CPI-U dropped by 2.1 percent, while the housing component for the CPI-W increased by 6.1 percent.

The majority of the 1.1 percent gain seen between the August and October CPI-U surveys was largely due to growth in the housing and transportation components. Higher electricity rates and rent increases pushed the housing component up 1.8 percent since August. Higher prices, especially for used cars, increased insurance rates, and escalating finance costs all contributed to the 1.5 percent upswing in the transportation component.

TOTAL PERSONAL INCOME

Total Personal Income (TPI) figures for the second quarter and revisions for the previous years were recently released by the Bureau of Economic Analysis. These numbers revealed a moderate TPI growth for both Hawaii and the U.S. Typical of an economic recovery, expansion in employment and production fueled upward shifts in personal income.

National data reported a strong 2.2 percent growth, which translated to an annual rate of 8.8 percent . . . well ahead of this year's expected 4 to 5 percent inflation rate. Hawaii's expansion was not as rapid, reporting an over-the-quarter gain of 1.8 percent. Annualized, this represents a relatively healthy 7.2 percent increase. Again, with inflation at minimal levels, this indicated an upturn in real income.

On an annual basis, over-the-quarter growth rates improved after a precipitous drop in the fourth quarter of 1982 due to Hurricane Iwa (see Figure 4). Damage estimates from the hurricane were subtracted from property income, not only adversely affecting the total, but also obscuring gains experienced in other employment categories. While growth in 1983 was below 1981 and 1982, inflation rates for those years were also much higher: 10.5 and 6.0 percent, respectively.

Employment income, which comprises about three quarters of Hawaii's TPI, showed gains in most areas. Manufacturing was the major exception, still suffering from the effects of the 1982 recession. The construction industry, on the other hand, appeared to be on the upswing, having posted gains three quarters in a row. The service industries, Hawaii's major economic area, logged a sizeable increase which annualized at 14.4 percent.

HAWAIIAN BANK
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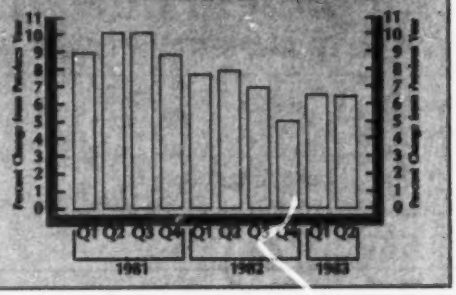
employment and unemployment in hawaii

Series	Unit	Period	Number	Percent Change from preceding period	Percent Change year ago
EMPLOYMENT IN STATE AND COUNTIES (number of persons)					
STATE					
Civilian Labor Force	thous.	October	465.0p	2.4	1.4
Employment	thous.	October	437.4p	2.7	2.6
Unemployment	thous.	October	27.7p	−2.1	−13.7
Unemployment Rate	percent	October	5.9p	−4.8	−15.7
C & C OF HONOLULU					
Civilian Labor Force	thous.	October	356.2p	2.8	2.1
Employment	thous.	October	336.7p	3.1	3.0
Unemployment	thous.	October	19.5p	−2.0	−11.0
Unemployment Rate	percent	October	5.5p	−3.5	−12.7
MAUI COUNTY					
Civilian Labor Force	thous.	October	42.6p	1.0	0.5
Employment	thous.	October	39.2p	0.3	2.6
Unemployment	thous.	October	3.3p	3.1	−21.4
Unemployment Rate	percent	October	7.8p	4.0	−22.8
HAWAII COUNTY					
Civilian Labor Force	thous.	October	45.7p	2.7	−1.3
Employment	thous.	October	42.3p	3.7	1.0
Unemployment	thous.	October	3.4p	−8.1	−22.7
Unemployment Rate	percent	October	7.4p	−10.8	−22.1
KAUAI COUNTY					
Civilian Labor Force	thous.	October	20.6p	−1.4	−1.4
Employment	thous.	October	19.1p	−1.6	−1.6
Unemployment	thous.	October	1.5p	−6.2	0.0
Unemployment Rate	percent	October	7.2p	−4.0	−1.4
JOB COUNT BY INDUSTRY					
TOTAL JOBS—STATE	thous.	October	439.2p	2.0	−0.5
SUGAR (mill and field)	thous.	October	8.4p	0.0	−1.8
PINEAPPLE (cannery and field)	thous.	October	4.0p	−15.1	12.9
DIVERSIFIED MANUFACTURING (excluding sugar and pineapple)	thous.	October	15.4p	1.3	−2.8
Durable Goods	thous.	October	3.3p	4.8	−8.3
Non-Durable Goods	thous.	October	12.2p	0.4	−0.8
Apparel and Textiles	thous.	October	2.7p	0.0	−3.6
DIVERSIFIED AGRICULTURE (excluding sugar and pineapple, but including agricultural self-employed)	thous.	October	9.4p	19.0	−6.9
CONTRACT CONSTRUCTION	thous.	October	16.6p	0.3	−2.6
TRANSPORTATION	thous.	October	20.6p	−0.2	−5.7
COMMUNICATION	thous.	October	7.2p	−0.7	−3.4
UTILITIES	thous.	October	2.4p	2.1	−3.9
RETAIL TRADE	thous.	October	87.6p	−0.1	1.3
WHOLESALE TRADE	thous.	October	19.1p	−0.3	1.1
FINANCE, INSURANCE AND REAL ESTATE	thous.	October	31.2p	−0.5	−0.8
HOTEL SERVICES—STATE	thous.	October	26.8p	3.7	0.6
Honolulu County	thous.	October	15.1p	4.5	2.7
Maui County	thous.	October	65.6p	2.3	−0.8
Hawaii County	thous.	October	3.1p	5.1	−1.6
Kauai County	thous.	October	2.0p	−2.4	−9.1
OTHER SERVICES	thous.	October	74.0p	0.7	−0.5
FEDERAL GOVERNMENT	thous.	October	32.0p	0.2	0.3
Civilian Agencies	thous.	October	11.3p	0.0	−0.9
Defense Department	thous.	October	20.6p	0.2	1.0
STATE GOVERNMENT	thous.	October	45.4p	15.8	−0.7
COUNTY GOVERNMENT	thous.	October	12.6p	−0.8	−1.2
UNEMPLOYMENT INSURANCE CLAIMS AND PAYMENTS					
INSURED UNEMPLOYMENT (weekly average)	number	October	14,004	0.5	−6.9
INTRASTATE INITIAL CLAIMS	number	October	5,895	4.2	−18.8
INTERSTATE INITIAL CLAIMS	number	October	345	−10.2	−23.7
UNEMPLOYMENT INSURANCE BENEFITS	thous. $	October	6,133	5.3	−12.0

p = *preliminary.*

Sources:
Employment, Job Count, and Unemployment Insurance—Hawaii State Department of Labor and Industrial Relations.

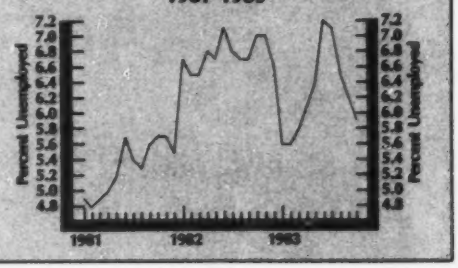
FIGURE 4
QUARTERLY GROWTH IN PERSONAL INCOME
—HAWAII—



EMPLOYMENT

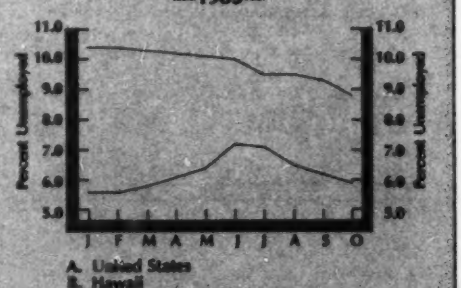
Recent employment patterns were also encouraging. Cumulative data through October of 1983 showed an overall growth in the civilian labor force of 1.4 percent over 1982, from 454,200 to 465,000 persons. Meanwhile, the unemployment rate fell to 5.9 percent, reflecting a 4.8 percent decrease from the previous month, and a 15.7 percent decrease from the previous year (see Figure 5).

FIGURE 5
UNEMPLOYMENT RATES
STATE OF HAWAII
1981-1983



The state jobless ratio looked even more favorable compared to national figures. The U.S. rates also showed declines this year, but still remained high by Hawaii standards. Nationally, unemployment went down to 8.4 percent in October, from 8.8 percent in September (see Figure 6).

FIGURE 6
UNEMPLOYMENT RATES
U.S. AND HAWAII
—1983—



Employment in Hawaii should improve even further during the last two months of this year. Contributing factors include retailers hiring for the holiday season; both the

public assistance in hawaii

Series	Unit	Period	Number	Percent Change from preceding period	Percent Change year ago
PUBLIC ASSISTANCE					
RECIPIENTS[1]					
Income Maintenance	no./persons	September	63,280	−0.6	−1.8
Services	no./cases	3rd Qtr.	7,113	9.3	3.3
Medical	no./patients	November	46,930	−4.5	1.7
Food Stamps	no./persons	September	100,229	−0.2	1.1
PAYMENTS					
Income Maintenance	thous. $	September	8,900	−0.6	−1.8
Services	thous. $	3rd Qtr.	3,415	−9.4	−12.2
Medical	thous. $	November	12,275	0.4	14.2
Food Stamps	thous. $	September	6,455	−0.8	12.0

[1]Count of recipients is duplicated. A person may be counted in each category.

Sources:
Public Assistance—Hawaii State Department of Social Services and Housing.

banking and finance in hawaii

Series	Unit	Period	Number	Percent Change from preceding period	Percent Change year ago
FINANCE					
COMMERCIAL BANKS					
Total Deposits					
STATE	mil. $	October	5,740.2	1.0	14.6
Honolulu County	mil. $	October	4,741.7	1.2	14.1
Maui County	mil. $	October	359.4	0.9	14.6
Hawaii County	mil. $	October	425.8	0.1	15.7
Kauai County	mil. $	October	213.3	1.5	21.7
Debits to Demand Deposits					
STATE	mil. $	October	7,011.2	−6.8	−4.7
Honolulu County	mil. $	October	6,464.0	−6.8	−3.9
Maui County	mil. $	October	229.5	−7.0	−15.3
Hawaii County	mil. $	October	220.1	−5.6	−20.9
Kauai County	mil. $	October	97.8	−4.5	13.5
Loans Outstanding	mil. $	3rd Qtr.	3,641	−1.2	2.8
Real estate	mil. $	3rd Qtr.	1,651	0.1	4.2
Consumer	mil. $	3rd Qtr.	813	2.2	1.5
Commercial & Industrial	mil. $	3rd Qtr.	1,048	−5.0	3.6
Other	mil. $	3rd Qtr.	128	−6.5	−10.0
SAVINGS & LOAN ASSOCIATIONS					
Total Deposits	mil. $	September	3,534	1.4	8.2
Loans	mil. $	September	36.2	30.4	−64.8
Residential	mil. $	September	33.4	178.9	−60.8
Other	mil. $	September	2.8	−82.4	−84.2
STATE TAX COLLECTIONS[1]					
TAX COLLECTIONS—STATE	thous. $	Jan.-Oct.	1,053.9	.....	11.4
Honolulu County	thous. $	Jan.-Oct.	924.8	.....	9.6
Maui County	thous. $	Jan.-Oct.	56.7	.....	32.9
Hawaii County	thous. $	Jan.-Oct.	54.4	.....	30.5
Kauai County	thous. $	Jan.-Oct.	17.9	.....	1.4

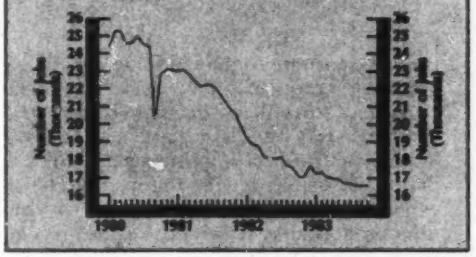
[1]Excludes property taxes which were formerly collected by the State but are now collected by the Counties.

Sources:
Finance—Hawaii State Department of Commerce and Consumer Affairs. Federal Deposit Insurance Corporation reports. Federal Home Loan Bank of Seattle.
State Tax Collections—Hawaii State Department of Taxation.

Department of Education and the University of Hawaii hiring temporary workers for the new semester; and the service sector, particularly the hotel industry, hiring to meet the needs of the increased number of winter visitors.

Job counts have also shown improvement. While the overall number of jobs still remained slightly below last year, some industries began to show increases. Two major industrial sectors experienced gains through October of 1983; retail and wholesale trade expanded by 1.3 percent and 1.1 percent, respectively. Other industries, while lagging behind last year's job count showed favorable trends. For example, shortfalls in construction jobs have been diminishing (see Figure 7). 1,900 construction jobs were lost between October 1980 and 1981 (despite the fact that the 1980 data was already lowered because of the carpenter strike). Another 3,900 jobs were lost between October of 1981 and 1982.

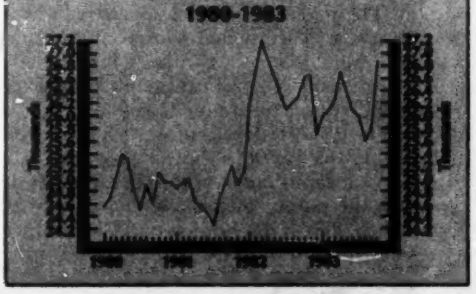
FIGURE 7
CONSTRUCTION JOBS
STATE OF HAWAII
1980-1983



By comparison, the 450 job drop between 1982 and 1983 can be viewed as an improvement. It appears that the industry is finally beginning to bottom out.

Hotel services was the only sector to show substantial over-the-month gains that were not due to seasonal factors alone, moving from a negative job count position relative to the previous year to a positive 0.6 percent gain in October (see Figure 8). Much of this is attributable to the approximately 500 new jobs created by the reopening of the Halekulani Hotel. In general, hotel jobs fluctuate with movements in the visitor industry reflecting summer and winter peaks. Job counts were low 1980 and 1981 but increased significantly in 1982. Following the summer peak in 1983, job counts are expected to increase again in the winter months above the 1982 winter peak.

FIGURE 8
HOTEL SERVICE JOBS
STATE OF HAWAII
1980-1983



ECONOMIC INDICATORS

A Bimonthly Report on Current Economic Conditions in Hawaii
by the Research Department, First Hawaiian Bank

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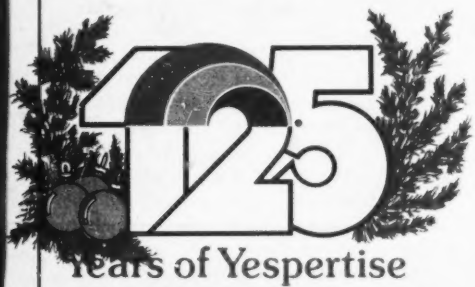

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Learning from Moloka'i

Perhaps more so than in other islands, the people of Moloka'i are being faced with crucial decisions concerning their social and economic future. These decisions concern the need for a stable and diversified economic base, particularly in view of the recent decline in pineapple production. In a sense, Moloka'i's situation is unique due to its small size, predominantly Hawaiian population, and general lack of economic alternatives compared to the other more urbanized islands. However, it is also *because* of these conditions that Moloka'i serves as a kind of microcosm of the problems faced by the other islands in their search for the appropriate relationship between agriculture, tourism, and traditional Hawaiian culture and values.

These choices were recently summarized in *Moloka'i: Issues and Options* published by the Department of Planning and Economic Development. Among other things, attention was given to diversified agriculture, the visitor industry, and innovative ways of integrating economic development with the cultural lifestyle and resources of the community. Many of the points originated in Moloka'i and deserve further attention for their potential relevance to economic development issues on a statewide level.

The emphasis of the report was on diversified agriculture, with priority given to the development of *small-scale* production to facilitate greater participation of small, independent producers in agricultural development. Appropriate policies included developing small "starter" lots for new farmers, reducing infrastructure requirements for start-up farmers, developing marketing cooperatives, and providing technical and financial assistance for small farmers. These efforts resemble the strategies being developed by large corporations such as Castle & Cooke and American Factors in the development and stimulation of small-scale independent diversified agricultural production. In addition, the study recognized efforts by the native Hawaiian community in the reestablishment of the *ahupua'a* system of farming designed to restore ancient Hawaiian methods of crop and fishpond production. The main significance, however, was the recognition of the *ahupua'a* as a legitimate source of agricultural production and employment that, along with the broadened efforts of small farmers, can make a significant contribution to the development of diversified agriculture on Moloka'i.

In terms of tourism, recognizing the employment benefits of tourism as well as the importance of traditional cultural values, the major accomplishment of the community was to come to a consensus on the parameters of visitor industry growth appropriate to Moloka'i. Resort development has been confined to self-contained resort areas on the west end of the island, thus allowing the development of existing destination areas without infringing on the traditional social, economic, and environmental qualities of the island, which are to be found more to the east end.

More importantly, however, development of tourism need not conflict with traditional values, and can, with wise planning, even support them. The report advocates the integration of the traditional Hawaiian culture and lifestyle with the visitor industry, as a culturally educational medium for visitors, thereby enriching the more commercial aspects for which tourism is generally known. This could be accomplished through a version of the Japanese "minshuku" system where private homes are used for tourist accommodations. This allows residents to take in guests for extra income, while visitors can experience Hawaii in a more local and personalized setting. This is similar to the "bed and breakfast" concept becoming increasingly popular throughout the state, as well as the "pensione" system already well established throughout Europe.

Development of the *ahupua'a* also offers an alternative for visitors interested in the culture and lifestyle of the ancient Hawaiians. The development would revitalize the "mountains to the sea" concept of Hawaiian social and economic organization by restoring ancient fishponds, re-creating a fishing village, demonstrating historic farming techniques, and teaching Hawaiian methods of management and use of native flora and fauna. Also, development of the Moloka'i Makahiki, which focuses on the perpetuation of ancient Hawaiian athletic games, as well as numerous historical and archeological sites provide opportunities to enrich the historic and cultural awareness of visitors to Hawaii. Examples of similar attractions throughout the country include the Pueblo villages in New Mexico, the fishing and Colonial-village reconstructions in New England such as Rockport, Plymouth, and Sturbridge Village, and Williamsburg in Virginia. The restoration of historic urban areas as well as ancient castles and villages in Europe has long been an important part of the European visitor market. Thus, ancient customs and values need not contradict, but can be actually strengthened and reinforced by integration with the development process.

The essential point made by the Moloka'i study, and the lesson to be gained, is that economic growth and diversification need not occur at the expense of the small farmer, or the Hawaiian community. Rather, if constructively managed and maintained, development can in fact become a process reflective of the resources and aspirations of the community, rather than one that is seen as culturally antagonistic and economically disruptive.

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ECONOMIC INDICATORS

Research Department, First Hawaiian Bank | January/February 1984

Hawaii: A Quarter-Century of Change

On August 21, 1959 Hawaii was officially admitted into the Union as the fiftieth state of the United States of America. Nearly a generation has passed since that memorable day in Hawaii's history 25 years ago, and it is with a deep sense of pride and achievement that we look back over the years of growth and change that have characterized the evolution of Hawaii's economy. As we reflect upon the past quarter-century, and begin preparations for Hawaii's Silver Jubilee Anniversary Celebration, the time seems also appropriate to consider the implications of these changes for the future, and the growing responsibilities of an informed and concerned citizenry.

Unquestionably, the most significant factor affecting the Hawaiian economy since statehood was the development of tourism. Influenced by Hawaii's new political relationship with the continental United States and improvements in transpacific air travel, annual visitors to Hawaii increased seventeen-fold between 1959 and 1982 from 243,216 to 4,242,916 people. Annual visitor expenditures increased over 40 times from $109 million in 1959 to $3.7 billion in 1982. As a percentage of total Gross State Product (GSP), tourist expenditures increased from 7 percent in 1959 to 27 percent in 1982.

The impact on the economy was enormous. Annual expenditures for hotel construction increased 12 times from $8.2 million in 1959 to $95.1 million in 1980, while commercial construction increased 9 times from $39.6 million in 1959 to $349 million in 1980. The total count of hotel units rose 9 times from 6,825 units in 1959 to 58,765 units in 1983. A significant portion of this growth benefitted the Neighbor Islands directly. In 1959, 16 percent of all hotel units were on the Neighbor Islands: in 1983, the proportion stood at 42 percent.

In turn, the prosperity brought on by tourism precipitated large increases in population, which further stimulated demands for housing, trade, transportation, and other services. By the early 1980s, Hawaii had evolved into a predominantly service-based economy supporting the growing needs of the tourist industry and an ever-increasing population base.

However, in the meantime, growth in other export sectors, with the exception of military expenditures, failed to keep pace with growth in the visitor market. Between 1959 and 1983, due to increased world and domestic competition, total acreage in sugar and pineapple declined by 20 percent, while employment fell by 53 percent. On the other hand, while growth in diversified agricultural and manufacturing activities holds promise for balancing the economy, it has yet to achieve the scale required to replace the once dominant position of sugar and pineapple.

The result of this historical process, notwithstanding the positive growth in output and jobs, has been an increasing dependence of the Hawaiian economy on tourism, and increased local vulnerability to external economic conditions, as was demonstrated in the recent prolonged Hawaiian recession of 1980 to 1982. At the same time, as the economy shifted towards consumer and tourist-based services, the structure of economic activity shifted from large agriculturally-based enterprises to smaller, more diversified and independent businesses. This has had profound implications for economic stability and Hawaii's system of laws and institutions.

The danger of vulnerability to external economic conditions, lies in the exposure of the visitor market, and those industries dependent upon it, to disruptive economic instability. In addition to jobs directly related to tourism such as hotel and travel services, jobs in the construction industry, and tourist-related services such as apparel, transportation services, food services, and trade are also affected when the tourist market contracts. These effects are particularly severe on the Neighbor Islands which have a less diversified employment base.

Further, nearly two-thirds of Hawaii's labor force work in trade, real estate, finance and insurance, and hotels and services. Of the more than 21,000 business enterprises in the state, 98 percent have fewer than 100 employees, while more than 50 percent employ fewer than five persons. 65 percent of Hawaii's labor force work in businesses of less than 100 employees. In short, Hawaii has become a consumer service-based and tourist-oriented economy comprised predominantly of small businesses. Not surprisingly, therefore, tax, labor, land, and business laws that once strongly favored labor in a time when most people worked on sugar and pineapple plantations a generation ago, have become onerous in a time when individual entrepreneurship and managerial initiative in a competitive environment have become essential for economic survival.

Ironically, it is the very strength of Hawaii's growth in tourism in the past 25 years, and the shifts in Hawaii's industrial composition and economic structure, that have set the agenda for the next 25 years. That agenda includes a systematic policy of economic diversification, and a reorientation of our laws and institutions toward stimulation and support for small-business development. While there is room for debate over the extent to which public policy should intervene in the economy, much can still be done to improve the climate for all businesses in Hawaii, as well as facilitate the role of the state as a catalyst in the overall business-development process.

State government is already actively involved in this process through the guidance of the State Plan and the related State Functional Plans, the programmatic efforts of the Department of Planning and Economic Development, and the deliberations of the various commissions created to examine aspects of Hawaii's economy. Support and participation by county governments, the business community, labor, and community and civic interests can also create a sense of shared achievement in the securing of Hawaii's economic future.

As Hawaii emerges from its first quarter-century of statehood, and effects the transition from a predominantly rural agrarian society to a dynamic urban entrepreneurial and service-based economy, the urgency will be greater than ever for a sense of farseeing and responsible stewardship during this critical period of change. That stewardship is as much the responsibility of the community as it is that of government. As we look forward to the next 25 years of statehood, and a lifetime of aloha, let it not be said that we, as a people, thought not of the generations to follow.

FIRST HAWAIIAN BANK
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u. s. economic indicators

Series	Unit	Period	Number	Percent Change from preceding period	Percent Change year ago
GENERAL BUSINESS INDICATORS					
COMPOSITE INDEX OF LEADING INDICATORS*	1967 = 100	December	162.9p	0.6	15.6
GROSS NATIONAL PRODUCT**					
In Current Dollars	bil. $	4th Qtr	3,432.7p	2.1	10.4
In 1972 Dollars	bil. $	4th Qtr.	1,570.6p	1.1	6.1
PERSONAL INCOME**	bil. $	December	2,857.2p	0.9	8.0
RETAIL SALES*	mil. $	December	102,059p	0.1	10.4
BANKING AND CREDIT					
DEBITS TO DEMAND DEPOSITS**	bil. $	November	64,750.8	−1.5	14.6
BANK LOANS*	bil. $	November	1,115.6p	1.0	7.6
AVERAGE PRIME RATE CHARGED BY BANKS	percent	January	11.00	0.0	−1.4
CONSUMER INSTALLMENT DEBT*	mil. $	November	374,890	1.3	11.3
CONSTRUCTION					
CONSTRUCTION PUT IN PLACE**	bil. $	October	269.5p	−2.5	15.1
CONSTRUCTION COST INDEXES					
Residences	1967 = 100	November	343.8	0.2[1]	4.1
Apts, Hotel, Office Bldgs	1967 = 100	November	352.9	0.1[1]	5.4
EMPLOYMENT					
CIVILIAN EMPLOYMENT*	thous.	December	102,941	0.3	4.0
UNEMPLOYMENT*	thous.	December	9,195	−2.4	−22.7
UNEMPLOYMENT RATE*	percent	December	8.2	−2.4	−23.4
PRICES					
CONSUMER PRICE INDEX (All Items)					
Urban Wage Earners and Clerical Workers (Revised)	1967 = 100	December	301.5	0.0	3.3
All Urban Consumers	1967 = 100	December	303.5	0.1	3.8
PRODUCER PRICE INDEXES					
Finished Goods*	1967 = 100	December	287.1p	0.1	0.2
All Commodities	1967 = 100	December	306.0p	0.1	1.8

p = preliminary.
[1]Compared to September, 1983.

*Seasonally adjusted.
**Seasonally adjusted at annual rates.

Sources:
General Business Indicators—U.S. Department of Commerce.
Banking and Credit—Board of Governors of the Federal Reserve Syst.
Construction—U.S. Department of Commerce. The American Appraisal Company.
Employment and Prices—U.S. Department of Labor, Bureau of Labor Statistics.

business activity in hawaii

TOURISM					
OVERNIGHT OR LONGER VISITORS	number	December	392,506p	22.7	14.5
	number	Jan.-Dec.	4,357,184p	.....	2.7
Westbound	number	December	301,375p	20.3	16.1
	number	Jan.-Dec.	3,404,434p	.....	3.8
Eastbound	number	December	91,131p	31.4	9.4
	number	Jan.-Dec.	952,750p	.....	−1.2
AVERAGE DAILY VISITOR CENSUS[1]	number	May	83,225p	2.5	9.5
AVERAGE LENGTH OF STAY[1]	no. of days	May	9.9	0.0	0.0
MEETINGS ATTENDANCE	number	December	5,627	−52.4	−57.2
ORGANIZED GROUP TOURS	number	December	52,376p	−8.7	19.1
NEIGHBOR ISLAND VISITORS[1]					
Maui	number	December	139,374p	9.6	11.8
	number	Jan.-Dec.	1,702,792p	.....	5.9
Hawaii	number	December	62,717p	12.4	6.1
	number	Jan.-Dec.	739,050p	.....	5.0
Kauai	number	December	56,572p	5.0	60.5
	number	Jan.-Dec.	717,143p	.....	−5.7
VISITOR ACCOMMODATIONS					
STATE	number	October	60,198	2.2	2.2
Oahu	number	October	35,761	4.0	3.3
Waikiki	number	October	31,846	5.7	5.8
Maui (includes 12 on Lanai)	number	October	11,960	−0.8	5.6
Molokai	number	October	626	−0.5	1.5
Hawaii	number	October	7,243	−1.7	1.7
Kauai	number	October	4,608	3.0	−12.3
HOTEL OCCUPANCY					
STATE	percent	December	66.12	1.9	2.3

p = preliminary.
[1]Estimated Westbound.

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CURRENT BUSINESS TRENDS

This month's data provided continued evidence of Hawaii's progress towards economic recovery. Moderate, but definite, improvement was visible in major industries such as tourism, sugar, and real estate. Likewise, overall economic indicators also showed positive trends. Labor force data, the consumer price index, total personal income, gross business receipts, and tax collections all improved.

Tourism, Hawaii's most significant economic sector, showed strong gains in December. A record 392,506 visitors stayed overnight or longer, representing a 14.5 percent increase over the previous December. December's data brought the annual tourist count to 4,357,184, a healthy 2.7 percent gain over 1982. Considering the size of the tourist market, that represented a gain of 114,268 persons. An increased number of visitors from the Mainland, Canada, and Europe accounted for the rise; westbound visitors totaled 3,404,434, an over-the-year increase of 3.8 percent. Eastbound visitors, on the other hand, totaled a disappointing 952,750, an over-the-year decrease of 1.2 percent. The data gave credence to recent growing concern about a softening of the Japanese market. Among resort destinations, competition to attract visitors from Japan is extremely intense. Other destinations such as Guam and Saipan appear to have cut into Hawaii's share.

Travel to the Neighbor Islands exhibited an upward trend during December. The annual visitor count for Maui increased by 5.9 percent. Big Island visitor traffic increased by 5.0 percent over the year, while visitors to Kauai dropped by 5.7 percent reflecting the devastating effects of Hurricane Iwa and the publicity that followed.

The sugar industry reported favorable economic trends during 1983, both in terms of annual production, which grew by 6.2 percent, and raw sugar prices, which increased by 3.1 percent in December. However, as discussed in the feature story below, the industry still faces problems of long-term profitability. Pineapple, on the other hand, continued to decline. Processed pineapple showed a decline of 3.6 percent as of November, 1983, while fresh pineapple was down by 5.7 percent for the year. January data for fresh pineapple currently show a deficit of 19.9 percent from the previous year.

Growth in the construction industry, while encouraging, has been predominantly

business activity in hawaii [cont.]

Series	Unit	Period	Number	Percent Change from preceding period	Percent Change year ago
HOTEL OCCUPANCY (continued)					
Oahu	percent	December	76.15	10.0	6.1
Maui	percent	December	64.22	−12.1	−5.5
Hawaii	percent	December	38.83	−14.3	−6.0
Kauai	percent	December	45.90	−11.3	6.0
DEFENSE EXPENDITURES					
APPROPRIATED FUNDS TOTAL	mil. $	4th Qtr.	474.0p*	−0.3	5.8
Military Payroll	mil. $	4th Qtr.	202.1p*	−2.6	9.9
Civilian Payroll	mil. $	4th Qtr.	153.7p*	7.4	5.5
Local Purchases	mil. $	4th Qtr.	118.1p*	−5.5	−0.3
SUGAR					
SUGAR PRODUCTION	thous. tons	Jan.-Dec.	1,044	.....	6.2
N. Y. RAW SUGAR PRICE	$/ton	December	429.50	1.6	3.1
PINEAPPLE SHIPMENTS					
CANNED[2]	mil. $	Jan.-Nov.	169.0	.....	−3.6
FRESH	thous. lbs.	January	15,424	−8.8	−19.9
DIVERSIFIED AGRICULTURE					
CROPS					
Flowers & Nursery Products (wholesale)	thous. $	1982	30,559	.....	3.7
Anthurium Outshipments[3]	th. dozens	Jan.-Dec.	1,720.1	.....	−1.4
Potted Foliage[3]	thous. $	1982	8,820	.....	21.4
Other[4]	thous. $	1982	16,106	.....	−4.8
Fruits & Nuts	thous. $	1982	41,982	.....	0.0
Papaya Sales	th. lbs.	Jan.-Dec.	44,880	.....	0.2
Average Farm Price	cents/lb.	December	21.0	20.0	10.5
Macadamia Nut Sales (in shell)	th. lbs.	1983	38,160	.....	3.9
Average Farm Price	cents/lb.	1983	68.0	.....	−8.0
Other[5]	thous. $	1982	3,362	.....	8.4
Vegetable and Melon Production[6]	th. lbs.	Jan.-Dec.	67,800	.....	21.9
Other Crop Sales[7]	thous. $	1982	8,453	.....	−23.0
LIVESTOCK					
Beef Production (dressed wt.)	th. lbs.	Jan.-Dec.	31,398	.....	10.1
Average Farm Price (feedlot beef)	cents/lb.	December	95.0	3.3	−2.1
Hog Production (dressed wt.)	th. lbs.	Jan.-Dec.	6,145	.....	1.9
Average Farm Price	cents/lb.	December	102.5	−0.5	1.0
Milk Production	mil. lbs.	Jan.-Dec.	148.7	.....	3.3
Average Price Sold to Plants	$/100 lbs.	December	19.96	−4.3	−2.4
Egg Production	mil.	Jan.-Dec.	199.4	.....	−0.3
Average Farm Price	cents/doz.	December	86.0	3.0	−0.6
Other Livestock Sales[8]	thous. $	1982	5,814	.....	−1.3
CONSTRUCTION					
CONSTRUCTION PUT IN PLACE	mil. $	Jan.-Nov.	1,237.2	.....	2.4
PRIVATE PERMITS AUTHORIZED					
RESIDENTIAL					
STATE	thous. $	Jan.-Dec.	379,766	.....	15.9
C&C of Honolulu	thous. $	Jan.-Dec.	213,083	.....	5.1
Maui County	thous. $	Jan.-Dec.	38,814	.....	8.5
Hawaii County	thous. $	Jan.-Dec.	56,853	.....	−6.9
Kauai County	thous. $	Jan.-Dec.	71,015	.....	153.4
SINGLE FAMILY UNITS					
STATE	number	Jan.-Dec.	3,276	.....	45.3
C&C of Honolulu	number	Jan.-Dec.	1,567	.....	125.5
Maui County	number	Jan.-Dec.	547	.....	3.2
Hawaii County	number	Jan.-Dec.	880	.....	10.0
Kauai County	number	Jan.-Dec.	282	.....	22.6
MULTIPLE FAMILY UNITS					
STATE	number	Jan.-Dec.	2,031	.....	−32.5
C&C of Honolulu	number	Jan.-Dec.	1,832	.....	−27.3
Maui County	number	Jan.-Dec.	24	.....	−80.3
Hawaii County	number	Jan.-Dec.	96	.....	−61.4
Kauai County	number	Jan.-Dec.	79	.....	−33.1
NONRESIDENTIAL					
STATE	thous. $	Jan.-Dec.	304,111	.....	−6.6
C&C of Honolulu	thous. $	Jan.-Dec.	153,677	.....	−36.0
Maui County	thous. $	Jan.-Dec.	52,435	.....	−4.5
Hawaii County	thous. $	Jan.-Dec.	31,163	.....	120.2
Kauai County	thous. $	Jan.-Dec.	66,835	.....	312.3
PUBLIC CONTRACTS AWARDED					
TOTAL GOVERNMENT PROJECTS BY LEVEL OF GOVERNMENT	thous. $	January	10,523.9	.....	−79.3

p = preliminary.
*Coast Guard figures not included.
[2]Gross taxable income valued at time of shipment.
[3]Potted foliage grown for indoor or patio use.
[4]Includes cut flowers, cut orchids, lei flowers, cut foliage, other potted plants, unfinished flower and foliage stock, and other nursery products.
[5]Includes avocadoes, bananas, guavas, oranges, passion fruit, and tangerines.
[6]Includes snap beans, cabbage, celery, sweet corn, cucumbers, lettuce, onions, green peppers, tomatoes, and watermelons.
[7]Includes coffee, taro, feed and forage crops, and forest products.
[8]Includes broilers and chickens, turkeys, sheep, wool, horses, honey, and beeswax.

in nominal rather than real terms during 1983. The total dollar value of construction put in place for the January-November period grew by 2.4 percent from $1.21 billion to $1.24 billion. However, Construction-Cost-Index data suggest that the apparent growth was due to cost inflation rather than from real growth in construction activity. Construction costs for single-family homes grew 6.6 percent over the year, while construction costs for high-rise units showed an 8.8 percent advance, far outpacing the 2.4 percent increase in dollar value of construction. Construction employment also reflected a downward trend with a substantial 6.7 percent decline in jobs during 1983, dropping from 18,000 jobs to 16,800 jobs.

However, preliminary indications are that a positive upswing in construction can be expected. Real estate sales and single-family permit authorizations, both leading indicators, showed strong over-the-year increases.

Real estate sales, both in terms of the sale and resale of houses and condominiums, showed strong growth in 1983, as the economy picked up and mortgage rates declined. On Oahu, the sale of new homes jumped by 26.8 percent, and new condominiums by an impressive 147.1 percent over the previous year. Resale activity also increased markedly: statewide in 1983, single family resales were up by 22.4 percent, and condominium resales grew by 23.0 percent.

Likewise, permits for the construction of single-family residences grew by 45.3 percent between 1982 and 1983. In contrast, the condominium and nonresidential sectors are currently in an oversupply situation, having experienced over-the-year deficits of 32.5 percent and 6.6 percent respectively. Limited growth in nonresidential construction is expected until demand increases and existing inventories diminish. Government construction showed a drastic 79.3 percent drop between January 1983 and January 1984. Part of this was due to the fact that January 1983 was an exceptionally high month, making the level of contracts awarded in January 1984 look lower in comparison.

On the other hand, on a more positive note, the Consumer Price Index (CPI) exhibited minimal gains since the last bimonthly survey. The index for All Urban Consumers grew by 0.7 percent between October and December of 1983, and by 3.1 percent since the previous December. The annual average came to a mere 2.2 percent. On the other hand, the CPI for Urban Wage and Clerical Workers increased by 0.8 percent over the past two months. On an annual basis, the average growth was 4.0 percent, the lowest inflation rate in a decade.

Total Personal Income (TPI) figures for the third quarter indicated a modest rise for Hawaii's workers. TPI grew 1.2 percent over the quarter and 5.6 compared to the third quarter of 1982. Given the low inflation rate of 2.2 percent, workers enjoyed modest but real gains in income.

December's labor force data showed the

business activity in hawaii [cont.]

Series	Unit	Period	Number	Percent Change from preceding period	Percent Change year ago
PUBLIC CONTRACT AWARDED (continued)					
FEDERAL	thous. $	January	589.8	.....	−84.0
STATE	thous. $	January	1,639.8	.....	−95.2
COUNTY	thous. $	January	8,294.4	.....	−36.3
BY LOCATION OF PROJECT					
C&C of Honolulu	thous. $	January	7,274.9	.....	−81.9
Maui County	thous. $	January	2,233.4	.....	−11.5
Hawaii County	thous. $	January	946.6	.....	−87.8
Kauai County	thous. $	January	69.0	.....	−45.6
HONOLULU CONSTRUCTION COST INDEXES					
SINGLE FAMILY	1967 = 100	January	340.2	0.2	7.1
HIGH-RISE	1967 = 100	January	360.0	0.3	4.8
REAL ESTATE					
OAHU: New Sales					
Single Family	number	Jan.-Dec.	1,026	.....	26.8
Condominium	number	Jan.-Dec.	2,254	.....	147.1
Resales					
Single Family	number	Jan.-Dec.	1,582	.....	13.6
Average Price	dollars	Jan.-Dec.	183,742	.....	6.5
Condominium	number	Jan.-Dec.	2,102	.....	12.6
Average Price	dollars	Jan.-Dec.	103,607	.....	−0.5
MAUI: Resales					
Single Family	number	Jan.-Dec.	185	.....	79.6
Average Price	dollars	Jan.-Dec.	155,095	.....	14.9
Condominium	number	Jan.-Dec.	381	.....	90.5
Average Price	dollars	Jan.-Dec.	151,169	.....	−1.5
HAWAII: Resales					
Single Family	number	Jan.-Dec.	378	.....	43.7
Average Price	dollars	Jan.-Dec.	91,796	.....	−5.3
Condominium	number	Jan.-Dec.	127	.....	149.0
Average Price	dollars	Jan.-Dec.	95,535	.....	−23.0
KAUAI: Resales					
Single Family	number	Jan.-Dec.	55	.....	41.0
Average Price	dollars	Jan.-Dec.	124,539	.....	10.7
Condominium	number	Jan.-Dec.	28	.....	3.7
Average Price	dollars	Jan.-Dec.	141,964	.....	−12.6
BUSINESS SALES					
GROSS BUSINESS RECEIPTS	mil. $	Jan.-Nov.	19,725.0	.....	4.2
DIVERSIFIED MANUFACTURING	mil. $	Jan.-Nov.	469.6	.....	−6.5
DIVERSIFIED AGRICULTURE	mil. $	Jan.-Nov.	202.8	.....	27.3
RETAILING	mil. $	Jan.-Nov.	7,075.4	.....	4.2
WHOLESALING	mil. $	Jan.-Nov.	4,868.3	.....	0.8
SERVICES	mil. $	Jan.-Nov.	4,447.0	.....	7.8
OAHU NEW CAR SALES	number	November	4,599	60.8	33.1
PUBLIC UTILITIES					
ELECTRICITY GENERATED	mil. kwh.	December	587.5	1.5	6.3
GAS SALES	th. therms	December	3,971.6	−1.2	4.9
TELEPHONE LINES IN SERVICE	thous.	December	458.3	0.4	2.9
HONOLULU PRICES					
HONOLULU CONSUMER PRICE INDEX					
Urban Wage Earners and Clerical Workers (Revised), All Items	1967 = 100	December	288.2	0.8*	6.3
All Urban Consumers, All Items	1967 = 100	December	278.4	0.7*	3.1

*Compared to October 1983.

Sources:
Tourism—Hawaii Visitors Bureau, Pannell, Kerr, Forster.
Defense—Reports from various branches of the armed forces.
Sugar—Hawaiian Sugar Planters' Association.
Pineapple—Hawaii State Department of Taxation, Hawaii State Department of Agriculture.
Diversified Agriculture—Hawaii State Department of Agriculture.
Construction—Hawaii State Department of Taxation, Honolulu County Building Department, Hawaii, Kauai, and Maui County departments of public works.
Real Estate—Monitor Hawaii, Inc. Locations Inc., First Hawaiian Bank, Research Department.
Business Sales—Hawaii State Department of Taxation, Cardinal Mailing Services, Ltd.
Public Utilities—Hawaiian Electric Company, Inc. Citizens Utilities Company, Molokai Electric Co., Ltd. Gasco, Inc. Hawaiian Telephone Company.
Honolulu Prices—U.S. Department of Labor, Bureau of Labor Statistics.

usual seasonal improvements. Employment increased and unemployment decreased as retailers hired for the Christmas sales. As a result, the unemployment rate fell from 6.1 percent to 5.5 percent between November and December. Overall, unemployment rates for December of 1984 were 16.7 percent lower than for December of 1983.

SUGAR

Annual data for the sugar industry showed significant improvements in both output and prices. This provided some basis of hope for an ailing industry that suffered a $90 million loss in 1981, and a $1.6 million loss in 1982.

Sugarcane production increased by 6 percent between 1982 and 1983. Total production in 1983 was 1,044,000 tons, up 61,000 tons over the 982,913 tons of the prior year. Although it was the second driest year, statewide, since 1917, adequate rainfall in the mountains helped to maintain adequate irrigation systems, and adequate soil moisture levels. Additional factors included a new yield record of 11.25 tons of sugar per acre, a 13 percent increase over the previous record of 11.12 tons per acre set in 1966. Contributing to the higher yields were improved farming practices, new, more robust cane varieties, and greater cost efficiency in harvesting and milling operations.

Prices for sugar also improved in 1983. The New York raw sugar price increased by 10.5 percent from an average of 20.0 cents a pound in 1982 to 22.1 cents a pound in 1983. Price supports set by the Farm Act of 1982 were a crucial factor in maintaining domestic sugar prices. They shielded the American market from the estimated 15 million-ton sugar glut prevalent during 1983, and the depressed world market price, which ranged between 6 to 8 cents a pound.

The result was an improvement in year-to-year revenues. Sugar revenues stood at $395.8 million, a 14 percent increase over the $346.5 earned in 1982. Meanwhile, molasses revenues increased by 78 percent as a result of higher European demand and the summer drought in the American corn belt. On the other hand, electricity sales decreased by 3 percent from the previous year. In all, total industry revenues stood at $423.4 million, a 15 percent improvement over the $368.6 earned in 1982.

In terms of costs, continuing efforts to reduce expenses such as the closing of the Puna Sugar Co., extension of employee work furloughs, withdrawal or conversion of high-cost marginal lands, deferral of negotiated wage increases, and improvements in operating costs and productivity, succeeded in holding cost increases to a

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population and personal income in hawaii

Series	Unit	Period	Number	Percent Change from preceding period	Percent Change year ago
POPULATION					
DE FACTO—STATE	thous.	July 1, 1982	1,084p	.....	1.9
TOTAL RESIDENT—STATE	thous.	July 1, 1982	994p	.....	1.5
C&C of Honolulu	thous.	July 1, 1982	775p	.....	1.0
Maui County	thous.	July 1, 1982	80p	.....	5.6
Hawaii County	thous.	July 1, 1982	98p	.....	2.3
Kauai County	thous.	July 1, 1982	41p	.....	2.2
CIVILIAN RESIDENT—STATE	thous.	July 1, 1982	939p	.....	1.8
MILITARY PERSONNEL—STATE	number	July 1, 1982	61,107	.....	−0.7
Ashore	number	July 1, 1982	54,184	.....	17.1
Afloat	number	July 1, 1982	6,923	.....	−54.7
CIVILIAN DEPENDENTS OF MILITARY	number	July 1, 1982	66,709	.....	3.7
FOREIGN IMMIGRATION[1]	number	12 mo. total for period ending 1/84	5,494	.....	−15.3
PERSONAL INCOME					
TOTAL PERSONAL INCOME[2,3]	mil. $	3rd Qtr.	12,391	1.2	5.6
Employment Income[4]	mil. $	3rd Qtr.	9,146	0.8	5.9
Manufacturing	mil. $	3rd Qtr.	431	0.5	−0.5
Construction & Mining[5]	mil. $	3rd Qtr.	513	0.4	6.9
Wholesale	mil. $	3rd Qtr.	406	2.5	8.3
Retail	mil. $	3rd Qtr.	1,064	2.1	8.8
Finance, Ins. & Real Estate	mil. $	3rd Qtr.	636	0.5	14.2
Trans., Comm., & Util.	mil. $	3rd Qtr.	815	1.4	2.5
Services	mil. $	3rd Qtr.	1,954	2.5	7.4
Farm & Other	mil. $	3rd Qtr.	315	1.3	9.0
Federal Civilian	mil. $	3rd Qtr.	863	0.1	6.7
Federal Military	mil. $	3rd Qtr.	1,051	−3.1	0.2
State & Local	mil. $	3rd Qtr.	1,098	0.6	4.4
Property Income (Dividends, Interest, Rent)	mil. $	3rd Qtr.	2,182	3.0	3.0
Transfer Payments (1,642) minus Personal Contributions For Social Ins. (579)	mil. $	3rd Qtr.	1,063	0.1	7.9
PER CAPITA PERSONAL INCOME					
STATE PER CAPITA	dollars	1982	11,602	.....	5.2
PER CAPITA BY COUNTY					
C&C of Honolulu	dollars	1981	11,553	.....	9.0
Maui County	dollars	1981	9,702	.....	7.2
Hawaii County	dollars	1981	8,728	.....	5.0
Kauai County	dollars	1981	9,132	.....	7.2

p = preliminary.

**Total personal income and all components are seasonally adjusted at annual rates.

[1]These immigration statistics include only those entering Honolulu ports and do not include status changes.

[2]Includes wage and salary disbursements, proprietors' income, and other labor income.

[3]Income from mining not shown separately to avoid disclosure of confidential information.

Sources:

Population—*Hawaii State Department of Planning and Economic Development. U.S. Bureau of the Census. U.S. Immigration and Naturalization Service.*

Personal Income—*U.S. Department of Commerce, Bureau of Economic Analysis.*

minimum. Production costs increased only three-tenths of a percent, to $394 million, resulting in a net profit of $29 million to the industry.

However, according to Robert Pfeiffer of the Hawaiian Sugar Planters' Association, the data does not reflect the total situation. $28 million of the $29 million profit was from the sale of molasses and electricity, rather than from sugar directly. In addition, while the industry as a whole might have shown a net profit, in fact, only half of Hawaii's fourteen plantations were in the black. The other half suffered losses.

Pfeiffer also made the point that the "bottom line" is the net return on total investment. Using this measure, he said that the return on investments was only 2.7 percent, "meager by any standards." This fell decisively below the food processing industry average of 13.5 percent, and below even such non-risk investments as municipal bonds and government securities.

This level of profitability is not adequate if the industry is to survive in the long run. Four plantations have closed over the past 15 years due to inadequate returns, and the pattern may continue. According to Pfeiffer the industry "continues to face a major crisis."

Survival of the sugar industry will require continued effort. Plantations will have to phase out marginal lands, plant better varieties of cane, utilitize more efficient harvesting methods, and plant alternate crops. Alternative uses of marginal land such as housing and resort development will also be important in supporting sugar revenues and strengthening the employment base. The industry is making concerted efforts to return to acceptable levels of profitability. Given meaningful support by the state and county governments, there is no reason why sugar cannot continue to make a strong contribution to the Hawaiian economy.

MACADAMIA NUTS

Recent evidence on the major diversified agricultural crops confirms the growing importance of the macadamia nut industry in efforts to diversify the state economy. During the last ten years the number of farms increased 50 percent from 400 to 600, the number of acres planted grew 60 percent from 9,890 to 15,800, the number of acres of commercially bearing trees rose 84 percent from 5,760 to 10,600, and the yield per acre improved 29 percent from 2,800 pounds to 3,600 pounds.

The situation looked even better in 1983. According to data recently released by the Hawaii Agricultural Reporting Service (HARS), macadamia nut production had an-

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employment and unemployment in hawaii

Series	Unit	Period	Number	Percent Change from preceding period	Percent Change year ago
EMPLOYMENT IN STATE AND COUNTIES (number of persons)					
STATE					
Civilian Labor Force	thous.	December	468.4p	−0.1	2.4
Employment	thous.	December	442.4p	0.5	3.5
Unemployment	thous.	December	25.9p	−9.1	−14.1
Unemployment Rate	percent	December	5.5p	−9.8	−16.7
C & C OF HONOLULU					
Civilian Labor Force	thous.	December	360.0p	−0.1	2.5
Employment	thous.	December	342.0p	0.5	3.2
Unemployment	thous.	December	18.0p	−11.3	−10.2
Unemployment Rate	percent	December	5.0p	−10.7	−12.3
MAUI COUNTY					
Civilian Labor Force	thous.	December	42.3p	−0.9	1.3
Employment	thous.	December	39.5p	0.5	3.0
Unemployment	thous.	December	2.9p	−14.7	−14.7
Unemployment Rate	percent	December	6.8p	−15.0	−17.1
HAWAII COUNTY					
Civilian Labor Force	thous.	December	45.3p	0.7	2.8
Employment	thous.	December	41.9p	0.5	5.0
Unemployment	thous.	December	3.4p	3.0	−18.1
Unemployment Rate	percent	December	7.6p	2.7	−19.1
KAUAI COUNTY					
Civilian Labor Force	thous.	December	20.7p	1.0	2.5
Employment	thous.	December	19.1p	0.0	7.6
Unemployment	thous.	December	1.6p	6.7	−36.0
Unemployment Rate	percent	December	7.9p	9.7	−35.8
JOB COUNT BY INDUSTRY					
TOTAL JOBS—STATE	thous.	December	443.2p	0.4	−0.1
SUGAR (mill and field)	thous.	December	7.7p	−0.6	−8.9
PINEAPPLE (cannery and field)	thous.	December	4.0p	6.7	1.3
DIVERSIFIED MANUFACTURING (excluding sugar and pineapple)	thous.	December	15.8p	1.0	0.0
Durable Goods	thous.	December	3.4p	3.1	−6.9
Non-Durable Goods	thous.	December	12.4p	0.8	2.5
Apparel and Textiles	thous.	December	2.7p	0.0	−3.6
DIVERSIFIED AGRICULTURE (excluding sugar and pineapple, but including agricultural self-employed)	thous.	December	8.6p	0.6	0.0
CONTRACT CONSTRUCTION	thous.	December	16.3p	−3.3	−7.6
TRANSPORTATION	thous.	December	20.6p	0.0	−5.7
COMMUNICATION	thous.	December	7.2p	0.0	−2.0
UTILITIES	thous.	December	2.4p	0.0	−5.9
RETAIL TRADE	thous.	December	90.2p	1.6	1.5
WHOLESALE TRADE	thous.	December	19.0p	−0.8	−0.3
FINANCE, INSURANCE AND REAL ESTATE	thous.	December	31.4p	0.6	−0.2
HOTEL SERVICES—STATE	thous.	December	26.2p	0.4	2.1
Honolulu County	thous.	December	14.8p	2.8	0.3
Maui County	thous.	December	6.4p	−3.0	−2.3
Hawaii County	thous.	December	3.0p	0.0	−3.2
Kauai County	thous.	December	1.9p	−5.0	65.2
OTHER SERVICES	thous.	December	74.8p	0.1	1.0
FEDERAL GOVERNMENT	thous.	December	32.2p	0.5	0.3
Civilian Agencies	thous.	December	11.6p	1.8	2.7
Defense Department	thous.	December	20.6p	−0.2	−1.0
STATE GOVERNMENT	thous.	December	47.6p	0.4	−0.6
COUNTY GOVERNMENT	thous.	December	12.6p	0.4	0.0
UNEMPLOYMENT INSURANCE CLAIMS AND PAYMENTS					
INSURED UNEMPLOYMENT (weekly average)	number	December	12,018	−24.2	−16.7
INTRASTATE INITIAL CLAIMS	number	December	5,029	−16.3	−42.7
INTERSTATE INITIAL CLAIMS	number	December	360	−7.5	−16.9
UNEMPLOYMENT INSURANCE BENEFITS	thous. $	December	6,338	−6.3	−6.2

p = preliminary.

Sources:
Employment, Job Count, and Unemployment Insurance—Hawaii State Department of Labor and Industrial Relations.

other record year. With approximately two-thirds of the crop in, HARS projected that 38 million pounds (on an in-shell basis) of macadamia nuts will be harvested during the 1983-1984 season, representing a 4 percent gain over the previous year. Favorable weather, higher yields per acre, and increased bearing acreage all contributed to the current record harvest.

Furthermore, due to heavy investment commitments, production is expected to expand even further. In 1979 and 1980 when macadamia nuts were in short supply and acreage in planting stood at 10,200 acres, over 2,700 acres of seedlings were planted, resulting in a 30 percent increase over existing acreage. It takes five years for seedlings to reach commercial production age, and another five years to reach full bearing potential. The 1979-1980 plantings are now beginning to produce quality crops and should peak in 1989, substantially raising production levels. Additionally, Alexander & Baldwin, Inc. recently announced that it "intends to become a major producer of macadamia nuts by the end of the decade and has identified at least 3,400 acres of under-utilized land that is well suited for production." The first plantings began in January of this year.

However, given the lag between market development and expansion in output, farm prices fell 8 percent from 74 cents a pound to 68 cents a pound in 1983. This is the lowest price in four consecutive seasons, and the second year of consecutive price declines. As a result, HARS projects a 4 percent decrease in value of sales for the 1983-1984 season from $27.1 million to $25.9 million, the first drop in eleven seasons. Thus, without a strong program of market expansion, it is clear that the industry is moving into a classic situation of product surplus and price deflation. Long run growth and consolidation in the industry will depend on an aggressive program of demand expansion.

Realizing the problem, major retailers have started aggressive marketing campaigns both locally and in Mainland markets. This past Christmas season, shoppers were lured with a variety of discounts, rebates, and coupons offering substantial price reductions on macadamia nuts and candies. Also, given the saturation in the local markets, major producers have expanded their attention to Mainland market development and promotion in anticipation of increased supplies.

If marketing catches up to production, the economic picture for macadamia nuts should improve markedly. The chances look good since the producers are major companies such as C. Brewer, Inc., Alexander & Baldwin, Inc., and Mac Farms (owned by a large Australian conglomerate, CRS Ltd.). They have the resources and the marketing skills necessary for national-level product development, marketing, and distribution.

BUSINESS ACTIVITY

Data on gross business transactions in Hawaii provide further evidence of improvements in the Hawaiian economy in 1983. Starting from a low point in the first

public assistance in hawaii

Series	Unit	Period	Number	Percent Change from preceding period	Percent Change year ago
PUBLIC ASSISTANCE					
RECIPIENTS[1]					
Income Maintenance	no./persons	December	62,952	−0.4	−2.7
Services	no./cases	4th Qtr.	6,829	−4.0	8.2
Medical	no./patients	December	53,225	13.4	1.4
Food Stamps	no./persons	November	101,171	1.4	0.5
PAYMENTS					
Income Maintenance	thous. $	December	8,863.6	0.2	−2.6
Services	thous. $	4th Qtr.	3,632.6	6.4	−1.6
Medical	thous. $	December	15,893.3	29.5	7.3
Food Stamps	thous. $	November	6,746.1	−0.5	−3.4

[1]Count of recipients is duplicated. A person may be counted in each category.

Sources:
Public Assistance—Hawaii State Department of Social Services and Housing.

banking and finance in hawaii

FINANCE					
COMMERCIAL BANKS					
Total Deposits					
STATE	mil. $	December	5,997.2	5.3	12.9
Honolulu County	mil. $	December	4,980.4	6.2	12.7
Maui County	mil. $	December	360.2	0.3	10.9
Hawaii County	mil. $	December	441.6	2.2	15.9
Kauai County	mil. $	December	215.0	−0.2	16.0
Debits to Demand Deposits					
STATE	mil. $	December	7,571.6	10.4	−5.8
Honolulu County	mil. $	December	6,946.1	10.3	−6.0
Maui County	mil. $	December	264.0	11.4	−12.9
Hawaii County	mil. $	December	257.3	10.8	2.5
Kauai County	mil. $	December	104.2	9.6	3.9
Loans Outstanding	mil. $	4th Qtr.	3,765	3.4	2.5
Real estate	mil. $	4th Qtr.	1,652	0.0	3.1
Consumer	mil. $	4th Qtr.	853	4.9	3.9
Commercial & Industrial	mil. $	4th Qtr.	1,152	9.9	7.2
Other	mil. $	4th Qtr.	108	−15.4	−38.8
SAVINGS & LOAN ASSOCIATIONS[1]					
Total Deposits	mil. $	December	3,673.7	1.2	8.6
Loans	mil. $	December	64.5	84.6	116.7
Residential	mil. $	December	44.5	177.6	215.2
Other	mil. $	December	19.9	5.6	27.6
STATE TAX COLLECTIONS[2]					
TAX COLLECTIONS—STATE	thous. $	Jan.-Dec.	1,264.7	.....	9.9
Honolulu County	thous. $	Jan.-Dec.	1,108.2	.....	8.3
Maui County	thous. $	Jan.-Dec.	68.2	.....	29.1
Hawaii County	thous. $	Jan.-Dec.	65.8	.....	25.3
Kauai County	thous. $	Jan.-Dec.	22.5	.....	1.4

[1]Includes data for both Hawaii and Guam.
[2]Excludes property taxes which were formerly collected by the State but are now collected by the Counties.

Sources:
Finance—Hawaii State Department of Commerce and Consumer Affairs. Federal Deposit Insurance Corporation reports. Federal Home Loan Bank of Seattle.
State Tax Collections—Hawaii State Department of Taxation.

quarter of −1.3 percent compared to 1982, taxable transactions gained momentum in the second quarter, and sustained that upward trend through November. For the January-November period, local business reported a 4.2 percent increase in transactions. During the same period, the consumer price index for Honolulu rose an estimated 2.8 percent, indicating strong real growth in business activity.

On an individual basis, all sectors showed some improvement over 1982. The only exception was diversified manufacturing, which fell by 6.5 percent over the year from $502 million to $470 million principally due to cutbacks in sugar and pineapple processing. However, this represented an improvement when compared to the 14.5 percent loss in business activity seen during the first eleven months of 1982. Diversified agriculture experienced the greatest expansion with a 27.3 percent surge in activity from $159 million to $203 million. The retail sector, the largest business area in Hawaii, improved by 4.2 percent from $6.8 billion to $7.1 billion. Wholesale business transactions increased by a modest 0.8 percent during the January-November period from $4.8 billion to $4.9 billion, but, again, this was a favorable trend relative to the 11.6 percent decline in 1982. The service sector grew by a substantial 7.8 percent over the year from $4.1 billion to $4.4 billion.

As would be expected, the surge in business activity stimulated a simultaneous growth in state tax collections. Total collections showed solid gains during 1983, increasing by 9.9 percent over 1982 from $1.2 billion to $1.3 billion. 1983's improved picture was again in part due to comparison with 1982's poor performance. 1982 was the only year in this decade to experience decreased revenues. Previously, the state coffers enjoyed a steady growth in taxes. Between 1973 and 1981 collections showed an annual average growth of 12.2 percent.

Tax revenue increases were seen in all counties during 1983. Maui County had the most impressive annual growth rate with a 29.1 percent jump in tax collections from $53 million to $68 million. Hawaii County was a relatively close second with a 25.3 percent increase, growing from $52 million to $66 million. Oahu's gain was a more modest 8.3 percent from $1.0 billion to $1.1 billion. Kauai County reported the smallest increase of 1.4 percent, growing from $22.2 million to $22.5 million. This was in part due to a large displacement of funds into an escrow account for the protested liquor tax which is currently before the U.S. Supreme Court.

The state relies heavily on general excise and use tax collections. They comprised approximately half of the state's revenues for 1983. According to data from the State Department of Taxation, general excise tax collections increased by 7.1 percent over 1982 from $575 million to $616 million. Other components showed divergent trends: corporate income tax collections fell by 19.6 percent from $35 million to $28 million, while individual income taxes increased by 20.7 percent over the year from $297 million to $358 million.

ECONOMIC INDICATORS

A Bimonthly Report on Current Economic Conditions in Hawaii
by the Research Department, First Hawaiian Bank

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Report of the Governor's Committee on Doing Business in Hawaii

Prospects for Hawaii's economic future received a major boost with the publication of the *Report to the Governor on Hawaii's Strengths and Weaknesses as a Business Location* by the Governor's Committee on Doing Business in Hawaii. The mandate of the Committee was to examine all factors affecting business in Hawaii. The result was a constructive discussion of the positive and negative aspects of the Hawaiian economy, an estimation of their relative importance, and specific suggestions for improving the business climate in Hawaii.

The major strengths of Hawaii as a business environment were Hawaii's unequaled quality of life, a strong visitor industry, and a stable military presence. Other aspects of Hawaii conducive to business included positive business and labor relations, the quality of the labor force, Hawaii's locational advantages as a communications center, potentially developable natural resources, and strong scientific and educational resources.

On the other hand, certain weaknesses in Hawaii's business environment deserving government attention were identified. They included: (1) the high cost of doing business in Hawaii; (2) the state tax structure; (3) unsympathetic government bureaucracy; and (4) the permit process.

In addition to the already high costs of doing business due to Hawaii's isolated location, businesses must bear additional cost burdens due to unusually high State employee-benefit requirements. Major examples include high worker's compensation insurance, unemployment insurance, and medical insurance requirements. These requirements drive up business costs and create serious obstacles to business profitability.

The present tax system is widely perceived as anti-business, particularly the general excise tax, upon which the State depends for the majority of its revenues. The 1968 report, *Hawaii's General Excise Tax: Problems and Prescriptions*, stated that: (1) general excise tax liabilities are distributed indiscriminately and capriciously; (2) the general excise tax bears little relationship to the income-creating potential of businesses, and (3) the tax represents a de-facto investment tax on new and expanding firms.

There is also a perception that businesses are actively thwarted by many of those who make and enforce the laws. The general overregulation of business, as well as the failure of government officials to set a pro-business tone for their subordinates, all create serious obstacles to business development.

Finally, state and county land-use and construction-permit policies create unnecessary delays, increase costs, and often prevent well-conceived and socially-beneficial development projects from being implemented. These problems are exacerbated by overlapping and often conflicting jurisdictional authorities, the "not-in-my-backyard" attitude of some communities toward development in their areas, and misguided efforts to "preserve" surplus agricultural lands.

The major recommendations of the Committee focussed on: (1) more effective planning and promotion of economic development; (2) reexamining Hawaii's land-use needs; and (3) bringing worker's compensation insurance rates under control.

More aggressive promotion of economic development at the state level is needed, and will require a business and economic-development advocate with direct access to the governor, and the confidence of the business community. Recent changes in the organization of the Department of Planning and Economic Development (DPED), with planning and economic-development functions invested in separate deputy directorships, were seen as positive steps toward improving DPED's role as an advocate for business development and economic growth.

Furthermore, advocacy efforts need to be guided by more detailed and tactical strategies for the expansion and diversification of the state's economy. The foundations for these strategies are already laid out in the Hawaii State Plan, and the related State Functional Plans. Maximum efforts should be directed toward the ratification of the Functional Plans as a prerequisite to the development of more detailed industrial-development strategies. Planning emphasis should be directed more toward implementation strategies designed to mobilize the private- and public-sector resources necessary to capitalize on Hawaii's unique economic resources.

An inventory of agricultural and conservation lands should be conducted in order to define land necessary to support future growth in agriculture, as well as housing and urban use. Marginal agricultural lands, deemed uneconomic for agricultural use, should be zoned for urban uses.

Finally, the Committee felt that the administration of the worker's compensation program, and the law itself, should be carefully examined to improve the level and delivery of benefits, while reducing their cost.

These recommendations constitute only a first step towards a constructive resolution of Hawaii's economic future. However, it is hoped that they will form the foundation for the important work yet to be done by other committees and commissions, and, ultimately, an improvement in the climate for business in Hawaii.